



Michael J. Driscoll  
Town Manager

## TOWN OF WATERTOWN

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TO: Honorable Town Council

FROM: Michael J. Driscoll, Town Manager

DATE: April 28, 2015

SUBJECT: FISCAL YEAR 2016 BUDGET

Pursuant to the provisions of the Watertown Home Rule Charter, I herewith present the Submitted Budget for the Fiscal Year July 1, 2015 through June 30, 2016.

In accordance with Town Council Resolution 2014-62 regarding the Fiscal Year 2016 Budget Process, the Fiscal Year 2016 Preliminary Budget Overview was presented to the Honorable Town Council on October 28, 2014. The Overview included a review of the Town's financial condition, Revenue and Expenditure Forecasts and other information relevant to the budget process. The Revenue and Expenditure Forecasts indicated a projected deficit of \$2,058,636. During the overview, I stated we must:

- Continue to strive to provide the highest level of essential services possible with the most efficient utilization of resources.
- Ensure annual costs of all operations be funded on an annual basis from current revenues.
- Not defer maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years.
- Remain focused on achieving the long-term goal of sound financial management and fiscal stability.
- Present a budget based on sound business practices.

Additionally, the following budget issues were identified as areas of concern:

- Unfunded Pension Liability & OPEB
- Collective Bargaining
- Uncertainty of Future Local Aid
- Economy Driven Revenues
- Capital Improvement Program
- Insurance and Employee Benefits
- Shared/Regionalized Services
- Departmental Operating Budgets

Given the Revenue and Expenditure Forecasts, the Budget Development Instructions for Fiscal Year 2016 requested that departments submit level service budget and 2.5% reduction budget scenarios.

Subsequent to the Fiscal Year 2016 Preliminary Budget Overview Presentation, in accordance with Section 5-1 of the Watertown Home Rule Charter and the previously mentioned Town Council Resolution on the Fiscal Year 2016 Budget Process, the Honorable Town Council met several times and developed Fiscal Year 2016 Budget Policy Guidelines that were subsequently adopted on December 9, 2014.

The following are the top two priorities of the ranked Cost-Savings/Revenues Guidelines and the top five priorities of the ranked Program Enhancements/Expenditures Guidelines:

- Continue to proceed with the guidelines of the Strategic Framework for Economic Development, with the long-term goal to promote a diversified and growing tax base.
- Public safety: Police, Fire and Dispatch together represent the Town's biggest expenditure after Education. Continue with a review of the Public Safety study recommendations to determine how best deliver the level of service citizens want, more efficiently.
- Work collaboratively with the Watertown Public Schools to develop a comprehensive 5-year educational budget that assures sustainable funding for our schools and the successful education of our children. Seek to accommodate the Manager's forecast 5% school operating budget increase for the next three fiscal years (FY16-18), subject to preparation of budget requests by the School Committee, and subject to the validation of revenue and expenditure assumptions in the October 28, 2014 Preliminary Budget Overview. As was done in FY15, work with the WPS to identify one-time school curriculum initiatives (such as materials, supplies and technology) that have been underfunded over the last several years, and identify one-time funds that can be used to meet these identified needs.

- Finalize the Comprehensive Plan for the Town dealing with a broad spectrum of issues, including development, zoning, design guidelines, and transportation, in order to encourage Town government and its citizens to work in concert towards common goals. Develop an implementation strategy for key recommendations in the plan.
- Work collaboratively with the Watertown Public Schools to develop a capital projects funding schedule to address school building requirements in order to meet the identified needs for enrollment and programs.
- Develop a five-year plan and funding schedule for the integrated improvements of the Town's streets and sidewalks, water-sewer-stormwater infrastructure, and underground utilities, using tools such as the new Roadway Management Program. The plan should show status of ongoing projects, identify future projects including those with no funding source, and include coordination with water-sewer-stormwater projects and underground utility projects.
- Develop plans, including staffing needs, to initiate implementation of a local public transportation system in Watertown to supplement MTBA service, that will both mitigate traffic congestion from new developments as well as providing residents with alternatives to using private automobiles.

All of these top priorities are either incorporated in the Submitted Fiscal Year 2016 Budget, along with many of the other priorities, or will be addressed during the fiscal year.

### **Bond Market**

On November 7, 2013, Standard & Poor's Ratings Services, a municipal bond credit rating agency, upgraded the Town's long-term rating from 'AA+' to 'AAA', the highest rating attainable. The rating agency cited the following factors in the bond upgrade:

- Very strong economy
- Very strong budgetary flexibility
- Strong budgetary performance
- Very strong liquidity
- Strong management conditions
- Very strong debt and contingent liability position, driven mostly by the town's low net direct debt, and plans to address its unfunded pension and other postemployment benefits (OPEB) liabilities.

In Fiscal Years 2015 and 2016, the Town will continue to utilize bond monies to finance infrastructure improvements and it is imperative to continue the Town's commitment to sound financial management and fiscal stability.

Given the projected increases in expenditures for Fiscal Year 2017 through Fiscal Year 2019, as well as the uncertainty of Local Aid and Economy Driven Revenues, the size of significant items contained within the Capital Improvement Program, I respectfully urge that all

discussions and decisions regarding the Submitted Fiscal Year 2016 Budget take into consideration all of the above factors and their impact on the budgets for the next several fiscal years.

### **Snow and Ice Removal Deficit**

On February 10, 2015, the Honorable Town Council authorized excess expenditures for Snow and Ice Removal pursuant to Chapter 44, Section 31 D of the Massachusetts General Laws.

On April 7, 2015, the Honorable Town Council approved a transfer of \$1,041,518 to address the Fiscal Year 2015 Snow and Ice Removal Deficit in order to avoid raising the deficit in the Fiscal Year 2016 Budget/Recap. The Fiscal Year 2015 Snow and Ice Removal Expenditures of \$2,206,518 is the highest level of spending in the Town's history. For comparison purposes, the following chart shows the Snow and Ice Removal Expenditures for the last five fiscal years.

<b>Fiscal Year</b>	<b>Snow and Ice Removal Expenditures</b>
2011	\$1,498,453
2012	\$ 399,420
2013	\$1,220,668
2014	\$1,656,155
2015	\$2,206,518

### **Proposed Amendment to the Fiscal Year 2015 Budget**

Tonight there will be a First Reading on a Proposed Amendment to the Fiscal Year 2015 Budget totaling \$530,000 and the Fiscal Year 2015 Budget amounts within the Fiscal Year 2016 document include the proposed budget amendment.

On May 12, 2015, the Honorable Town Council will consider the above mentioned Proposed Amendment to the Fiscal Year 2015 Budget related to funding of Transportation and Comprehensive Plan Implementation Services and a transfer to the Collective Bargaining Stabilization Fund.

### **Local Aid**

On October 28, 2014, during the Fiscal Year 2016 Preliminary Budget Overview Presentation, the Fiscal Year 2016 State Aid Revenue amount was projected to be level funded at the Fiscal Year 2015 amount.

The Town's Local Aid increase in Fiscal Year 2016 is \$282,187 above the Fiscal Year 2015 level. For comparison purposes, the Town's Local Aid from all categories in Fiscal Year 2016 is \$11,717,314, a decrease of \$1,212,470 from the Fiscal Year 2009 level of \$12,929,784.

The above mentioned projected increase is based upon recommendations contained in the House Ways and Means Committee budget (HWM). If the Fiscal Year 2016 State Aid Revenue changes, adjustments will be made at that time.

In light of the complexity of issues regarding the finalization of a proposed budget, and in order to afford the opportunity to further analyze all aspects of the budget, the Honorable Town Council, in accordance with the Watertown Home Rule Charter, voted on March 10, 2015 to extend the April 14<sup>th</sup> budget submission deadline by two weeks. The Honorable Town Council's action was greatly appreciated.

The following tables titled "Fiscal Year 2010, 2011, 2012, 2013, 2014, 2015 & 2016 Budget Presentation Summary" represent the background and the progression of the Fiscal Year 2016 Budget development. A chart is also included on the ninth table outlining spending from Fiscal Year 2009 up to and including the Submitted Fiscal Year 2016 Budget.

# FISCAL YEAR 2010 BUDGET PRESENTATION SUMMARY

	FINAL FY 2009 BUDGET		FINAL FY 2010 BUDGET		VARIANCE FY 10 TO FY 09	
<b>REVENUE:</b>						
TAXES	\$ 66,633,934	69.63%	\$ 68,870,136	72.40%	\$ 2,236,202	3.36%
STATE AID	\$ 12,929,784	13.51%	\$ 10,589,035	11.13%	\$ (2,340,749)	-18.10%
LOCAL RECEIPTS	\$ 10,728,827	11.21%	\$ 10,174,489	10.70%	\$ (554,338)	-5.17%
OTHER FINANCING SOURCES	\$ 5,400,486	5.64%	\$ 5,484,505	5.77%	\$ 84,019	1.56%
<b>TOTAL REVENUE</b>	\$ 95,693,031	100%	\$ 95,118,165	100%	\$ (574,866)	-0.60%
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 31,846,000	33.28%	\$ 32,927,708	34.62%	\$ 1,081,708	3.40%
TOWN DEPTS. APPROPRIATIONS	\$ 27,526,586	28.77%	\$ 26,784,554	28.16%	\$ (742,032)	-2.70%
WASTE DISPOSAL	\$ 3,117,793	3.26%	\$ 3,149,695	3.31%	\$ 31,902	1.02%
SNOW & ICE	\$ 1,756,001	1.84%	\$ 762,324	0.80%	\$ (993,677)	-56.59%
STATE ASSESSMENTS	\$ 2,087,290	2.18%	\$ 2,251,870	2.37%	\$ 164,580	7.88%
PENSION COSTS	\$ 7,325,580	7.66%	\$ 7,645,088	8.04%	\$ 319,508	4.36%
INSURANCE & EMPLOY. BENEFITS	\$ 13,353,713	13.95%	\$ 12,127,710	12.75%	\$ (1,226,003)	-9.18%
DEBT AND INTEREST	\$ 6,345,007	6.63%	\$ 6,783,584	7.13%	\$ 438,577	6.91%
CAPITAL PROJECTS & OFU	\$ 2,335,061	2.44%	\$ 2,685,632	2.82%	\$ 350,571	15.01%
<b>TOTAL EXPENDITURES</b>	\$ 95,693,031	100%	\$ 95,118,165	100%	\$ (574,866)	-0.60%
<b>PROJECTED SURPLUS/(DEFICIT)</b>	\$ -		\$ -		\$ -	

## FISCAL YEAR 2011 BUDGET PRESENTATION SUMMARY

	FINAL FY 2010 BUDGET		FINAL FY 2011 BUDGET		VARIANCE FY 11 TO FY 10	
<b>REVENUE:</b>						
TAXES	\$ 68,870,136	72.40%	\$ 71,404,348	73.82%	\$ 2,534,212	3.68%
STATE AID	\$ 10,589,035	11.13%	\$ 10,007,422	10.35%	\$ (581,613)	-5.49%
LOCAL RECEIPTS	\$ 10,174,489	10.70%	\$ 10,190,648	10.53%	\$ 16,159	0.16%
OTHER FINANCING SOURCES	\$ 5,484,505	5.77%	\$ 5,131,289	5.30%	\$ (353,216)	-6.44%
<b>TOTAL REVENUE</b>	<b>\$ 95,118,165</b>	<b>100%</b>	<b>\$ 96,733,707</b>	<b>100%</b>	<b>\$ 1,615,542</b>	<b>1.70%</b>
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 32,927,708	34.62%	\$ 33,471,000	34.60%	\$ 543,292	1.65%
TOWN DEPTS. APPROPRIATIONS	\$ 26,784,554	28.16%	\$ 26,746,780	27.65%	\$ (37,774)	-0.14%
WASTE DISPOSAL	\$ 3,149,695	3.31%	\$ 3,210,961	3.32%	\$ 61,266	1.95%
SNOW & ICE	\$ 762,324	0.80%	\$ 1,502,402	1.55%	\$ 740,078	97.08%
STATE ASSESSMENTS	\$ 2,251,870	2.37%	\$ 2,161,479	2.23%	\$ (90,391)	-4.01%
PENSION COSTS	\$ 7,645,088	8.04%	\$ 8,498,329	8.79%	\$ 853,241	11.16%
INSURANCE & EMPLOY. BENEFITS	\$ 12,127,710	12.75%	\$ 12,617,192	13.04%	\$ 489,482	4.04%
DEBT AND INTEREST	\$ 6,783,584	7.13%	\$ 6,943,336	7.18%	\$ 159,752	2.35%
CAPITAL PROJECTS & OFU	\$ 2,685,632	2.82%	\$ 1,582,228	1.64%	\$ (1,103,404)	-41.09%
<b>TOTAL EXPENDITURES</b>	<b>\$ 95,118,165</b>	<b>100%</b>	<b>\$ 96,733,707</b>	<b>100%</b>	<b>\$ 1,615,542</b>	<b>1.70%</b>
<b>PROJECTED SURPLUS/(DEFICIT)</b>	<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>	

## FISCAL YEAR 2012 BUDGET PRESENTATION SUMMARY

	FINAL FY 2011 BUDGET		FINAL FY 2012 BUDGET		VARIANCE FY 12 TO FY 11	
<b>REVENUE:</b>						
TAXES	\$ 71,404,348	73.82%	\$ 74,139,036	73.99%	\$ 2,734,688	3.83%
STATE AID	\$ 10,007,422	10.35%	\$ 9,587,202	9.57%	\$ (420,220)	-4.20%
LOCAL RECEIPTS	\$ 10,190,648	10.53%	\$ 11,182,499	11.16%	\$ 991,851	9.73%
OTHER FINANCING SOURCES	\$ 5,131,289	5.30%	\$ 5,287,263	5.28%	\$ 155,974	3.04%
<b>TOTAL REVENUE</b>	\$ 96,733,707	100%	\$ 100,196,000	100%	\$ 3,462,293	3.58%
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 33,471,000	34.60%	\$ 34,140,000	34.07%	\$ 669,000	2.00%
TOWN DEPTS. APPROPRIATIONS	\$ 26,746,780	27.65%	\$ 27,504,055	27.45%	\$ 757,275	2.83%
WASTE DISPOSAL	\$ 3,210,961	3.32%	\$ 3,236,940	3.23%	\$ 25,979	0.81%
SNOW & ICE	\$ 1,502,402	1.55%	\$ 882,000	0.88%	\$ (620,402)	-41.29%
STATE ASSESSMENTS	\$ 2,161,479	2.23%	\$ 2,211,377	2.21%	\$ 49,898	2.31%
PENSION COSTS	\$ 8,498,329	8.79%	\$ 8,822,766	8.81%	\$ 324,437	3.82%
INSURANCE & EMPLOY. BENEFITS	\$ 12,617,192	13.04%	\$ 13,283,889	13.26%	\$ 666,697	5.28%
DEBT AND INTEREST	\$ 6,943,336	7.18%	\$ 7,163,595	7.15%	\$ 220,259	3.17%
CAPITAL PROJECTS & OFU	\$ 1,582,228	1.64%	\$ 2,951,378	2.95%	\$ 1,369,150	86.53%
<b>TOTAL EXPENDITURES</b>	\$ 96,733,707	100%	\$ 100,196,000	100%	\$ 3,462,293	3.58%
<b>PROJECTED SURPLUS/(DEFICIT)</b>	\$ -		\$ -		\$ -	



# FISCAL YEAR 2013 BUDGET PRESENTATION SUMMARY

	FINAL FY 2012 BUDGET		FINAL FY 2013 BUDGET		VARIANCE FY 13 TO FY 12	
<b>REVENUE:</b>						
TAXES	\$ 74,139,036	73.99%	\$ 77,348,790	75.08%	\$ 3,209,754	4.33%
STATE AID	\$ 9,587,202	9.57%	\$ 10,109,449	9.81%	\$ 522,247	5.45%
LOCAL RECEIPTS	\$ 11,182,499	11.16%	\$ 10,081,517	9.79%	\$ (1,100,982)	-9.85%
OTHER FINANCING SOURCES	\$ 5,287,263	5.28%	\$ 5,480,724	5.32%	\$ 193,461	3.66%
<b>TOTAL REVENUE</b>	<b>\$ 100,196,000</b>	<b>100%</b>	<b>\$ 103,020,480</b>	<b>100%</b>	<b>\$ 2,824,480</b>	<b>2.82%</b>
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 34,140,000	34.07%	\$ 35,335,000	34.30%	\$ 1,195,000	3.50%
TOWN DEPTS. APPROPRIATIONS	\$ 27,504,055	27.45%	\$ 27,815,764	27.00%	\$ 311,709	1.13%
WASTE DISPOSAL	\$ 3,236,940	3.23%	\$ 2,721,926	2.64%	\$ (515,014)	-15.91%
SNOW & ICE	\$ 882,000	0.88%	\$ 1,220,718	1.18%	\$ 338,718	38.40%
STATE ASSESSMENTS	\$ 2,211,377	2.21%	\$ 2,239,561	2.17%	\$ 28,184	1.27%
PENSION COSTS	\$ 8,822,766	8.81%	\$ 9,421,500	9.15%	\$ 598,734	6.79%
INSURANCE & EMPLOY. BENEFITS	\$ 13,283,889	13.26%	\$ 12,765,490	12.39%	\$ (518,399)	-3.90%
DEBT AND INTEREST	\$ 7,163,595	7.15%	\$ 6,825,486	6.63%	\$ (338,109)	-4.72%
CAPITAL PROJECTS & OFU	\$ 2,951,378	2.95%	\$ 4,675,035	4.54%	\$ 1,723,657	58.40%
<b>TOTAL EXPENDITURES</b>	<b>\$ 100,196,000</b>	<b>100%</b>	<b>\$ 103,020,480</b>	<b>100%</b>	<b>\$ 2,824,480</b>	<b>2.82%</b>
<b>PROJECTED SURPLUS/(DEFICIT)</b>	<b>\$ -</b>		<b>\$ -</b>		<b>\$ -</b>	

# FISCAL YEAR 2014 BUDGET PRESENTATION SUMMARY

	FINAL FY 2013 BUDGET		FINAL FY 2014 BUDGET		VARIANCE FY 14 TO FY 13	
<b>REVENUE:</b>						
TAXES	\$ 77,348,790	75.08%	\$ 81,642,981	75.45%	\$ 4,294,191	5.55%
STATE AID	\$ 10,109,449	9.81%	\$ 10,834,771	10.01%	\$ 725,322	7.17%
LOCAL RECEIPTS	\$ 10,081,517	9.79%	\$ 8,967,523	8.29%	\$ (1,113,994)	-11.05%
OTHER FINANCING SOURCES	\$ 5,480,724	5.32%	\$ 6,761,096	6.25%	\$ 1,280,372	23.36%
<b>TOTAL REVENUE</b>	\$ 103,020,480	100%	\$ 108,206,371	100%	\$ 5,185,891	5.03%
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 35,335,000	34.30%	\$ 36,675,000	33.89%	\$ 1,340,000	3.79%
EDUCATION 1 TIME CURRICULUM	\$ -	0.00%	\$ 210,000	0.19%	\$ 210,000	
<b>EDUCATION SUB-TOTAL</b>	\$ 35,335,000	34.30%	\$ 36,885,000	34.09%	\$ 1,550,000	4.39%
TOWN DEPTS. APPROPRIATIONS	\$ 27,815,764	27.00%	\$ 27,853,938	25.74%	\$ 38,174	0.14%
WASTE DISPOSAL	\$ 2,721,926	2.64%	\$ 2,849,740	2.63%	\$ 127,814	4.70%
SNOW & ICE	\$ 1,220,718	1.18%	\$ 1,656,265	1.53%	\$ 435,547	35.68%
STATE ASSESSMENTS	\$ 2,239,561	2.17%	\$ 2,253,730	2.08%	\$ 14,169	0.63%
PENSION COSTS	\$ 9,421,500	9.15%	\$ 10,669,126	9.86%	\$ 1,247,626	13.24%
INSURANCE & EMPLOY. BENEFITS	\$ 12,765,490	12.39%	\$ 13,881,480	12.83%	\$ 1,115,990	8.74%
DEBT AND INTEREST	\$ 6,825,486	6.63%	\$ 7,010,989	6.48%	\$ 185,503	2.72%
CAPITAL PROJECTS & OFU	\$ 4,675,035	4.54%	\$ 5,146,103	4.76%	\$ 471,068	10.08%
<b>TOTAL EXPENDITURES</b>	\$ 103,020,480	100%	\$ 108,206,371	100%	\$ 5,185,891	5.03%
<b>PROJECTED SURPLUS/(DEFICIT)</b>	\$ -		\$ -		\$ -	

## FISCAL YEAR 2015 BUDGET PRESENTATION SUMMARY

	FINAL FY 2014 BUDGET		CURRENT FY 2015 BUDGET		VARIANCE FY 15 TO FY 14	
<b>REVENUE:</b>						
TAXES	\$ 81,642,981	75.45%	\$ 85,765,298	75.24%	\$ 4,122,317	5.05%
STATE AID	\$ 10,834,771	10.01%	\$ 11,435,127	10.03%	\$ 600,356	5.54%
LOCAL RECEIPTS	\$ 8,967,523	8.29%	\$ 9,335,470	8.19%	\$ 367,947	4.10%
OTHER FINANCING SOURCES	\$ 6,761,096	6.25%	\$ 7,453,827	6.54%	\$ 692,731	10.25%
<b>TOTAL REVENUE</b>	<b>\$ 108,206,371</b>	<b>100%</b>	<b>\$ 113,989,722</b>	<b>100%</b>	<b>\$ 5,783,351</b>	<b>5.34%</b>
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 36,675,000	33.89%	\$ 39,232,000	34.42%	\$ 2,557,000	6.97%
EDUCATION 1 TIME CURRICULUM	\$ 210,000	0.19%	\$ 750,000	0.66%	\$ 540,000	257.14%
<b>EDUCATION SUB-TOTAL</b>	<b>\$ 36,885,000</b>	<b>34.09%</b>	<b>\$ 39,982,000</b>	<b>35.08%</b>	<b>\$ 3,097,000</b>	<b>8.40%</b>
TOWN DEPTS. APPROPRIATIONS	\$ 27,853,938	25.74%	\$ 29,547,060	25.92%	\$ 1,693,122	6.08%
WASTE DISPOSAL	\$ 2,849,740	2.63%	\$ 3,008,335	2.64%	\$ 158,595	5.57%
SNOW & ICE	\$ 1,656,265	1.53%	\$ 2,206,518	1.94%	\$ 550,253	33.22%
STATE ASSESSMENTS	\$ 2,253,730	2.08%	\$ 2,435,346	2.14%	\$ 181,616	8.06%
PENSION COSTS	\$ 10,669,126	9.86%	\$ 12,309,391	10.80%	\$ 1,640,265	15.37%
INSURANCE & EMPLOY. BENEFITS	\$ 13,881,480	12.83%	\$ 13,859,690	12.16%	\$ (21,790)	-0.16%
DEBT AND INTEREST	\$ 7,010,989	6.48%	\$ 7,330,178	6.43%	\$ 319,189	4.55%
CAPITAL PROJECTS & OFU	\$ 5,146,103	4.76%	\$ 3,311,204	2.90%	\$ (1,834,899)	-35.66%
<b>TOTAL EXPENDITURES</b>	<b>\$ 108,206,371</b>	<b>100%</b>	<b>\$ 113,989,722</b>	<b>100%</b>	<b>\$ 5,783,351</b>	<b>5.34%</b>
<b>PROJECTED SURPLUS/(DEFICIT)</b>	<b>\$ -</b>		<b>\$ (0)</b>		<b>\$ (0)</b>	

(1) FY 2015 BUDGET AMOUNTS INCLUDE PROPOSED FY 2015 BUDGET AMENDMENT OF \$530,000

# FISCAL YEAR 2016 BUDGET PRESENTATION SUMMARY (PART 1)

	CURRENT FY 2015 BUDGET		PROPOSED FY 2016 BUDGET		VARIANCE FY 15 TO FY 14	
<b>REVENUE:</b>						
TAXES	\$ 85,765,298	75.24%	\$ 89,927,495	75.50%	\$ 4,162,197	4.85%
STATE AID	\$ 11,435,127	10.03%	\$ 11,717,314	9.84%	\$ 282,187	2.47%
LOCAL RECEIPTS	\$ 9,335,470	8.19%	\$ 10,335,240	8.68%	\$ 999,770	10.71%
OTHER FINANCING SOURCES	\$ 7,453,827	6.54%	\$ 7,135,201	5.99%	\$ (318,626)	-4.27%
<b>TOTAL REVENUE</b>	<b>\$ 113,989,722</b>	<b>100%</b>	<b>\$ 119,115,250</b>	<b>100%</b>	<b>\$ 5,125,528</b>	<b>4.50%</b>
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 39,232,000	34.42%	\$ 41,452,000	34.80%	\$ 2,220,000	5.66%
EDUCATION 1 TIME CURRICULUM	\$ 750,000	0.66%	\$ 375,000	0.31%	\$ (375,000)	-50.00%
<b>EDUCATION SUB-TOTAL</b>	<b>\$ 39,982,000</b>	<b>35.08%</b>	<b>\$ 41,827,000</b>	<b>35.11%</b>	<b>\$ 1,845,000</b>	<b>4.61%</b>
TOWN DEPTS. APPROPRIATIONS	\$ 29,547,060	25.92%	\$ 31,824,482	26.72%	\$ 2,277,422	7.71%
WASTE DISPOSAL	\$ 3,008,335	2.64%	\$ 2,967,835	2.49%	\$ (40,500)	-1.35%
SNOW & ICE	\$ 2,206,518	1.94%	\$ 1,165,000	0.98%	\$ (1,041,518)	-47.20%
STATE ASSESSMENTS	\$ 2,435,346	2.14%	\$ 2,432,293	2.04%	\$ (3,053)	-0.13%
PENSION COSTS	\$ 12,309,391	10.80%	\$ 13,851,481	11.63%	\$ 1,542,090	12.53%
INSURANCE & EMPLOY. BENEFITS	\$ 13,859,690	12.16%	\$ 14,615,919	12.27%	\$ 756,229	5.46%
DEBT AND INTEREST	\$ 7,330,178	6.43%	\$ 7,886,134	6.62%	\$ 555,956	7.58%
CAPITAL PROJECTS & OFU	\$ 3,311,204	2.90%	\$ 2,545,106	2.14%	\$ (766,098)	-23.14%
<b>TOTAL EXPENDITURES</b>	<b>\$ 113,989,722</b>	<b>100%</b>	<b>\$ 119,115,250</b>	<b>100%</b>	<b>\$ 5,125,528</b>	<b>4.50%</b>
<b>PROJECTED SURPLUS/(DEFICIT)</b>	<b>\$ (0)</b>		<b>\$ (0)</b>		<b>\$ 0</b>	

(1) FY 2015 BUDGET AMOUNTS INCLUDE PROPOSED FY 2015 BUDGET AMENDMENT OF \$530,000

## FISCAL YEAR 2016 BUDGET PRESENTATION SUMMARY (PART 2)

	PRE-OVERVIEW OCT. 2014 PROJECTED FY 2016		MANAGERS PROPOSED FY 2016		VARIANCE PROPOSED TO PROJECTED	
<b>REVENUE:</b>						
TAXES	\$ 89,777,495	76.72%	\$ 89,927,495	75.50%	\$ 150,000	0.17%
STATE AID	\$ 11,435,127	9.77%	\$ 11,717,314	9.44%	\$ 282,187	2.47%
LOCAL RECEIPTS	\$ 9,320,743	7.96%	\$ 10,335,240	8.18%	\$ 1,014,497	10.88%
OTHER FINANCING SOURCES	\$ 6,490,168	5.55%	\$ 7,135,201	5.99%	\$ 645,033	9.94%
<b>TOTAL REVENUE</b>	<b>\$ 117,023,533</b>	<b>100%</b>	<b>\$ 119,115,250</b>	<b>99%</b>	<b>\$ 2,091,717</b>	<b>1.79%</b>
<b>EXPENDITURES:</b>						
EDUCATION APPROPRIATION	\$ 41,193,600	34.59%	\$ 41,452,000	34.80%	\$ 258,400	0.63%
EDUCATION 1 TIME CURRICULUM	\$ -	0.00%	\$ 375,000	0.31%	\$ 375,000	
<b>EDUCATION SUB-TOTAL</b>	<b>\$ 41,193,600</b>	<b>34.59%</b>	<b>\$ 41,827,000</b>	<b>35.11%</b>	<b>\$ 633,400</b>	<b>1.54%</b>
TOWN DEPTS. APPROPRIATIONS	\$ 30,452,312	25.57%	\$ 31,824,482	26.72%	\$ 1,372,170	4.51%
WASTE DISPOSAL	\$ 3,083,543	2.59%	\$ 2,967,835	2.49%	\$ (115,708)	-3.75%
SNOW & ICE	\$ 1,165,000	0.98%	\$ 1,165,000	0.98%	\$ -	0.00%
STATE ASSESSMENTS	\$ 2,501,475	2.10%	\$ 2,432,293	2.04%	\$ (69,182)	-2.77%
PENSION COSTS	\$ 13,861,233	11.64%	\$ 13,851,481	11.63%	\$ (9,752)	-0.07%
INSURANCE & EMPLOY. BENEFITS	\$ 14,519,025	12.19%	\$ 14,615,919	12.27%	\$ 96,894	0.67%
DEBT AND INTEREST	\$ 8,335,909	7.00%	\$ 7,886,134	6.62%	\$ (449,775)	-5.40%
CAPITAL PROJECTS & OFU	\$ 3,970,072	3.33%	\$ 2,545,106	2.14%	\$ (1,424,966)	-35.89%
<b>TOTAL EXPENDITURES</b>	<b>\$ 119,082,169</b>	<b>100%</b>	<b>\$ 119,115,250</b>	<b>100%</b>	<b>\$ 33,081</b>	<b>0.03%</b>
<b>PROJECTED SURPLUS/(DEFICIT)</b>	<b>\$ (2,058,636)</b>		<b>\$ (0)</b>		<b>\$ 2,058,636</b>	

# FISCAL YEAR 2016 BUDGET PRESENTATION SUMMARY (PART 3)

	FINAL FY 2009 BUDGET		MANAGER'S PROPOSED FY 2016		VARIANCE FY 16 TO FY 09	VARIANCE % FY 16 TO FY 09	AVERAGE ANNUAL % INC. OR DEC.
<b>REVENUE:</b>							
TAXES	\$ 66,633,934	69.63%	\$ 89,927,495	75.50%	\$ 23,293,561	34.96%	4.99%
STATE AID	\$ 12,929,784	13.51%	\$ 11,717,314	9.84%	\$ (1,212,470)	-9.38%	-1.34%
LOCAL RECEIPTS	\$ 10,728,827	11.21%	\$ 10,335,240	8.68%	\$ (393,587)	-3.67%	-0.52%
OTHER FINANCING SOURCES	\$ 5,400,486	5.64%	\$ 7,135,201	5.99%	\$ 1,734,715	32.12%	4.59%
<b>TOTAL REVENUE</b>	\$ 95,693,031	100%	\$ 119,115,250	100%	\$ 23,422,219	24.48%	
<b>EXPENDITURES:</b>							
EDUCATION APPROPRIATION	\$ 31,846,000	33.28%	\$ 41,452,000	34.80%	\$ 9,606,000	30.16%	4.31%
EDUCATION 1 TIME CURRICULUM	\$ -	0.00%	\$ 375,000	0.31%	\$ 375,000		
<b>EDUCATION SUB-TOTAL</b>	\$ 31,846,000	33.28%	\$ 41,827,000	35.11%	\$ 9,981,000	31.34%	4.48%
TOWN DEPTS. APPROPRIATIONS	\$ 27,526,586	28.77%	\$ 31,824,482	26.72%	\$ 4,297,896	15.61%	2.23%
WASTE DISPOSAL	\$ 3,117,793	3.26%	\$ 2,967,835	2.49%	\$ (149,958)	-4.81%	-0.69%
SNOW & ICE	\$ 1,756,001	1.84%	\$ 1,165,000	0.98%	\$ (591,001)	-33.66%	-4.81%
STATE ASSESSMENTS	\$ 2,087,290	2.18%	\$ 2,432,293	2.04%	\$ 345,003	16.53%	2.36%
PENSION COSTS	\$ 7,325,580	7.66%	\$ 13,851,481	11.63%	\$ 6,525,901	89.08%	12.73%
INSURANCE & EMPLOY. BENEFITS	\$ 13,353,713	13.95%	\$ 14,615,919	12.27%	\$ 1,262,206	9.45%	1.35%
DEBT AND INTEREST	\$ 6,345,007	6.63%	\$ 7,886,134	6.62%	\$ 1,541,127	24.29%	3.47%
CAPITAL PROJECTS	\$ 1,220,638	1.28%	\$ 1,543,841	1.30%	\$ 323,203	26.48%	3.78%
OTHER FINANCING USES	\$ 316,500	0.33%	\$ 426,265	0.36%	\$ 109,765	34.68%	4.95%
TOWN COUNCIL RESERVE	\$ 23,362	0.02%	\$ 575,000	0.48%	\$ 551,638	2361.26%	337.32%
GOVERNOR'S MID YEAR 9C CUT	\$ 774,561	0.81%	\$ -	0.00%	\$ (774,561)	-100.00%	-14.29%
<b>TOTAL EXPENDITURES</b>	\$ 95,693,031	100%	\$ 119,115,250	100%	\$ 23,422,219	24.48%	
<b>PROJECTED SURPLUS/(DEFICIT)</b>	\$ -		\$ (0)		\$ (0)		

## PROGRAM HIGHLIGHTS

The following is a list of continued program initiatives that are contained within the budget submission:

- Very Strong Commitment to Education
- Enhanced Funding of the Retirement System
- Community Policing including 51 Patrol Officers (3 from Cops Hiring Program)
- Fire Department Sworn Personnel Levels at 87 (4 from SAFER Grant)
- Town Capital Projects Funding
- Roadway Reconstruction and Resurfacing Projects
- Sidewalk Repair & Replacement Program
- Tree Management & Street Tree Replanting Program
- Automated Trash Collection & Single Stream Recycling
- 16 Yard Waste Collection Dates
- Participation in the Minuteman Household Product Facility
- Property Tax Work-off Program
- Children's Room, Friday Evenings & Year Round Weekend Library Hours
- Project Literacy
- Optional tax exemption for eligible home owners at 100% over statutory level

## FINANCIAL HIGHLIGHTS

The Submitted Fiscal Year 2016 Budget includes Revenues and Expenditures each totaling \$119,115,250, which represents an increase of \$5,125,528 and a 4.50% increase from the Fiscal Year 2015 Revised Budget. For comparison purposes, the following is a summary of the increases/decrease along with the related percentages from Fiscal Year 2010 through the Submitted Fiscal Year 2016 Budget.

<b>Fiscal Year</b>	<b>Dollar Increase/Decrease</b>	<b>Percentage Increase/Decrease</b>
2010	(\$574,866)	(.60%)
2011	\$ 1,615,542	1.70%
2012	\$ 3,462,293	3.58%
2013	\$ 2,824,480	2.82%
2014	\$ 5,185,891	5.03%
2015	\$ 5,783,351	5.34%
2016	\$ 5,125,528	4.50%
TOTAL	\$ 23,422,219	24.48% (3.50% 7 year average)

The charts on pages 6 through 14 of this message further outline the above mentioned changes.

The Submitted Fiscal Year 2016 Budget fully utilizes the local property tax and includes estimated New Growth of \$2,150,000. Real & Personal Property Taxes of \$89,927,495 represents 75.50% of the Fiscal Year 2016 revenues.

The Chairman of the Board of Assessors anticipates residential property assessments to continue appreciating. The residential condominium market has shown the greatest increases over the last two calendar years. Twenty six of thirty one condominium neighborhoods have shown appreciation. Most single family, two family and three family homes are also experiencing strong market conditions. A total of eight of thirteen single family neighborhoods have shown assessment increases, compared to six of nine multifamily neighborhoods. The large apartment building complexes along Pleasant Street and Waltham Street are complete. A very healthy rental market with low vacancy has developed among the different sites. The success of these developments has fueled two other proposed apartment projects to near approval. Commercial and Industrial values remain stable during calendar year 2014 and into this year. Asking rents are no longer declining and vacancy has stabilized. Interest rates remain low and building permits have increased over last year. All of these are positive signs the Commercial and Industrial decline is over and values are beginning to hold in the market for the third straight year.

The following chart titled “Community Comparison for Fiscal Year 2015” shows the Town’s average residential tax with the 20% residential exemption adopted by the Honorable Town Council in comparison to six surrounding communities.



Chart C

## COMMUNITY COMPARISON

For Fiscal Year 2015

FISCAL YEAR 2015

MUNICIPALITY	RES TAX	COMM TAX	share of value		2009	2010	2011	2012	2013	2014	2015	AVE RES VALUE FY 2015	RES	RES	AVE
	RATE	RATE	RES %	CIP %	SHIFT	SHIFT	SHIFT	SHIFT	SHIFT	SHIFT	SHIFT		EXE MPT.	EXEMPT SAVING S	RES TAX
ARLINGTON	\$13.55	\$13.55	94.18	5.82	1.00	1.00	1.00	1.00	1.00	1.00	1.00	\$507,574	no	\$-	\$ 6,878
BELMONT	\$12.90	\$12.90	94.36	5.64	1.00	1.00	1.00	1.00	1.00	1.00	1.00	\$693,393	no	\$-	\$ 8,945
BOSTON	\$12.11	\$29.52	65.30	34.70	1.75	1.75	1.75	1.75	1.75	1.75	1.75	\$517,349	30%	\$ 1,880	\$ 4,385
CAMBRIDGE	\$7.82	\$19.29	61.60	38.40	1.683	1.694	1.693	1.697	1.710	1.689	1.70	\$798,332	30%	\$ 1,873	\$ 4,370
NEWTON	\$11.61	\$22.38	88.22	11.78	1.75	1.75	1.75	1.71	1.74	1.74	1.74	\$776,356	no	\$-	\$ 9,013
WALTHAM	\$13.13	\$31.79	65.76	34.24	1.749	1.75	1.75	1.75	1.75	1.75	1.75	\$399,815	20%	\$ 1,050	\$ 4,200
WATERTOWN	\$15.03	\$27.87	81.25	18.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	\$451,638	20%	\$ 1,358	\$ 5,430

**Local Receipts and Other Financing Sources**

Revenues include a projected increase in “Local Receipts” of \$999,770 above the Fiscal Year 2015 revised level. The significant changes in this category, as compared to the Fiscal Year 2015 revised budget, are as follows:

Inspection Fees	\$850,000
Motor Vehicle Excise	\$175,000
Wheelabrator Service Agreement Incentive	(\$112,800)

Revenues include a projected decrease in “Other Financing Sources” of \$318,626 below the Fiscal Year 2015 revised level and includes Utilization of Free Cash totaling \$2,470,000.

Projected Investment Income of \$65,000, as compared to \$563,785 earned in Fiscal Year 2009, represents the concern of Economy Driven Revenues that were previously mentioned to the Honorable Town Council.

The changes in revenues, as compared to the Fiscal Year 2015 Revised Budget, are summarized as follows:

Real and Personal Property Taxes	\$4,162,197
State Aid	\$ 282,187
Local Receipts	\$ 999,770
Other Financing Sources	(\$ 318,626)

The significant changes in expenditures, as compared to the Fiscal Year 2015 Revised Budget, are as follows:

Education Appropriation	\$2,220,000
Retirement Benefits	\$1,542,090
Fire Department	\$1,139,521
Insurance & Employee Benefits	\$ 756,229
Police Department	\$ 701,111
Debt Retirement	\$ 555,956
Snow & Ice Removal	(\$1,041,518)

## CAPITAL IMPROVEMENT PROGRAM

Pursuant to the provisions of the Watertown Home Rule Charter and the Town Council Resolution on the Fiscal Year 2016 Budget process, the Proposed Fiscal Year 2016-2020 Capital Improvement Program (CIP) was submitted to the Honorable Town Council on January 30, 2015.

The Council's Committee on Budget and Fiscal Oversight met several times thereafter developing conceptual recommendations for presentation to the Honorable Town Council for their review and adoption. On April 14, 2015, the Honorable Town Council adopted conceptual recommendations on the Fiscal Year 2016-2020 CIP as memorialized in the following excerpt from the Committee minutes:

The conceptual recommendations are as follows:

- Proceed with the remaining proposed loan orders for FY13:

Administration Building Improvements (various)	852,000
Library Improvements (Slate Roof and other renovations)	325,000
Three Fire Station Improvements <i>*see item 11 below for further details</i>	500,000
Public Works Equipment (55000 GVW tri-axle Dump Truck)	160,000
Police Equipment (Microwave Link and Computers)	111,000
Total:	\$1,948,000

- Proceed with the remaining proposed loan orders for FY14:

Skating Rink (Scoreboard and Exit Doors)	34,000
Library Improvements (various)	100,000
Public Works Equipment: 41000 GVW Dump Truck @ 152,000 Highway Dept. Crew Truck @ 120,000 4WD Deicing Snow-Fighter @ 230,000	502,000
Total:	\$636,000

- Proceed with the proposed loan order for FY15 for school improvements, which were previously presented to the Town Council in a report dated March 24, 2015:

Replace Unit Ventilators at the Hosmer School	595,000
Floor Replacement at the Middle School	175,000
Total:	\$770,000

- Prior to proceeding with the FY15 proposed loan order for \$145,000 for the Hosmer School preschool plaza and walkway (Line #163) in the School Department's capital request, the School Department should have discussion with the Department of Public Works to see if this project could be combined with the DPW's sidewalk contract to get better pricing.
- Prior to proceeding with the FY15 proposed loan order for \$600,000 for improvements to the Filippello Park Grove Street entrance, the Administration shall hold community meetings to develop a design proposal and have one or more informational presentations to the Town Council.
- Proceed with the FY15 proposed loan order for \$2,500,000 for Street & Sidewalk Improvements for the summer 2015 in accordance with the Public Works Committee report presented to the Town Council on March 24, 2015, along with the \$300,000 for underground ducts for use by DPW and other Town departments.
- Proceed with the remaining proposed loan orders for FY15:

Public Works Equipment:	426,000
Central Motors Pickup Truck @ 48,000	
Superintendent Vehicle @ 42,000	
Highway Dept. 1 ton Dump Truck @ 85,000	
Cemetery Off-road Dump Truck @ 92,000	
Parks/Forestry Dept. 1 ton Dump truck @ 85,000	
Parks/Forestry Dept. Tree Chipper @ 74,000	
Library Radio Frequency ID System	65,000
Ambulance	235,000
Total:	\$726,000

- Proceed with the School Department's FY16 capital appropriation request of \$1,136,000 for projects as shown in the CIP as follows:
  - \$460,500 for various items to be funded with tax revenue.
  - \$75,000 for Hosmer walkway/stair replacement, to be funded with a loan order. Prior to proceeding with this loan order, the School Department should have discussion with the Department of Public Works to see if this project could be combined with the DPW's sidewalk contract to get better pricing.
  - \$310,000 for Middle School window replacement, to be funded with a loan order, subject to approval of the Mass School Building Authority Accelerated Repair Statement of Interest for and the 48.47% reimbursement.

- \$75,000 for replacement of Middle School science laboratory equipment, to be funded with a loan order. This is year one of a two-year \$150,000 project.
- \$215,500 for High School corridor safety doors and courtyard/2nd floor window replacement, to be funded with a proposed loan subject to approval of the Mass School Building Authority Core Program Statement of Interest and 48.47% reimbursement.
- Refer to the Public Works Committee, for policy guidance, the plan for the FY16 \$2,500,000 loan order for local road construction projects in the summer of 2016, in accordance with Resolution 2013-76 *Watertown's Ongoing Capital Project Budget Guidelines*.
- That the status of the parking area beside O'Connell Field at Boylston St and Mt Auburn St should be referred to the Public Works Committee to explore options and develop recommendations.
- That interior renovations at the North Fire Station and the East Fire Station should be looked at comprehensively to obtain the best price and to complete the work as quickly as possible.
- That the Administration develop a "minimal" renovation cost estimate for former Police Station, because the Phase 1 investigation for reuse of the showed that complete renovation would cost about \$4.5M, which is significantly more than originally estimated.
- That further research be done on the Police Department's FY16 request to expand video storage capability over three years for approximately \$315,700.
- That funds for the replacement of the Skating Rink fire alarm system for approximately \$94,500 be identified, and that the work be prioritized for the summer of 2015.
- That the possibility of having the Fire Department conduct annual inspections of fire alarm systems at all municipal buildings be explored.
- That the Department of Public Works provide a list of all motor vehicles, along with year and mileage.
- That the matter of new multi-space parking meter equipment for the municipal lots at the library, at Church/Spring Streets, and at Baptist Walk, be referred to the Public Works Committee for further discussion and policy guidance.
- That the matter of parking meter rates, which have not been changed since 2003, be referred to the Traffic Commission for review and recommendation.
- That the Department of Public Works provide a list of the status of all major projects along with estimated costs and funding sources.

- That the Town Council and the Administration continue to explore the options on how to best proceed with record storage management and related issues.
- Proceed with the FY15 proposed Water/Sewer Enterprise Fund loan order for \$160,000 for a water service box truck.
- That the Public Works Committee continues to explore options for the DPW's proposed replacement of Town-wide residential and commercial water meters.
- Proceed with the FY14 MWRA Sewer Inflow & Infiltration Local Financial Assistance Program for \$530,000 consisting of a \$238,500 grant and a \$291,500 interest-free loan order; plus proceed with the FY15 MWRA Local Water System Assistance Program \$900,000 interest-free loan order to replace outdated unlined cast iron water mains.

Finally, the Committee reviewed the summary of the current proposed FY2016 capital spending as of March 16, 2015, based on the updated revenue and expenditure forecasts which were first presented at the October 28, 2014 Preliminary Budget Overview.

a) Based on the FY16 revenue projections of \$117,279,426, the total proposed FY16 capital spending would be 8.04% of the budget.

b) Based on the FY16 expenditure assumptions of \$118,537,538, the total proposed FY16 capital spending would be 7.96% of the budget.

Therefore, the Committee recommends that the Town Manager adjust the FY2016 capital spending so that it does not exceed 8% of the submitted FY2016 operating budget in order to meet the Town Council's Budget Policy Guideline that the Town should seek to make capital expenditures (including debt and exclusive of enterprise funds) equal to at least 7.5-8% of the operating budget.

The Submitted Fiscal Year 2016-2020 Capital Improvement Program is included within the Submitted Fiscal Year 2016 Budget and incorporates all of these adopted conceptual recommendations and the Honorable Town Council's Ongoing Budget Policy Guideline to make annual capital expenditures (including debt and exclusive of Enterprise Funds) equals to at least 7.5 – 8% of the operating budget.

The Fiscal Year 2016-2020 General Fund CIP totals \$138,020,500, of which \$37,597,400 is the bonding requirement. Street and Sidewalk bonds of \$68,235,800 listed in Fiscal Year 2020 are not included in the bonding requirement.

The funding source of \$15,600,000 of the CIP has not been determined. The following are the projects/items with the funding source to be determined (TBD).

- |   |              |
|---|--------------|
| • Watertown Square Structured Parking     | \$ 5,000,000 |
| • Former Police Facility Renovation/Reuse | \$ 4,500,000 |

• Coolidge Square Design & Renovation	\$ 3,000,000
• Former East Branch Renovation/Reuse	\$ 1,500,000
• Former North Branch Renovation/Reuse	\$ 1,100,000
• Multi-Service Center Renovation	\$ 250,000
• Information Technology Improvements	<u>\$ 250,000</u>
TOTAL:	\$15,600,000

The CIP includes all known capital needs, regardless of the source of funding. During Fiscal Year 2008, in accordance with one of the Honorable Town Council's Budget Policy Guidelines, funding was included to obtain a Facilities Assessment Study. The Architecture firm of B. Goba & Associates completed the Facilities Assessment Study of nineteen buildings and provided recommendations for repairs and maintenance over the next ten years totaling \$14,539,546. The Study has been utilized in the development of the Fiscal Year 2016-2020 CIP and will serve as a guide to allocate monies for ongoing maintenance.

### **Fiscal Year 2013 Proposed Loan Orders**

As you recall, the Fiscal Year 2013 Budget Message dated April 24, 2012 stated Proposed Loan Orders would be brought forward for various Capital items contained in the Fiscal Year 2013 CIP. The acquisition of the proposed items is consistent with one of the Honorable Town Council's priorities of not deferring maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years.

As a follow up to the Honorable Town Council's adoption of conceptual recommendations on the Fiscal Year 2015-2019 Capital Improvement Program at the April 8, 2014 Town Council Meeting, the following is a revised list contained in the Fiscal Year 2013 CIP. Proposed Loan Orders were to be brought forward for these capital items.

• Administration Building Improvements	\$ 852,300 <sup>1</sup>
• Library Building Improvements (Slate Roof)	\$ 553,000
• Fire Stations (3) Improvements	\$ 500,000
• Public Works Equipment (#51 Dump Truck)	\$ 160,000
• Information Technology (GIS for Assessors)	\$ 50,000
• Police Equipment (Microwave Link and Computers)	<u>\$ 111,000</u>
TOTAL:	\$2,226,300

<sup>1</sup> An additional \$271,700 will be utilized from previously appropriated monies

As a follow up to the Honorable Town Council's adoption of conceptual recommendations on the Fiscal Year 2016-2020 Capital Improvement Program, the following is a revised list of items contained in the Fiscal Year 2013 CIP. Proposed Loan Orders will be brought forward for these capital items.

• Administration Building Improvements	\$ 852,000 <sup>1</sup>
• Library Building Improvements (Slate Roof)	\$ 325,000
• Fire Stations (3) Improvements	\$ 500,000
• Public Works Equipment (#51 Dump Truck)	\$ 160,000
• Police Equipment (Microwave Link and Computers)	<u>\$ 111,000</u>
TOTAL:	\$1,948,000

<sup>1</sup> An additional \$271,700 will be utilized from previously appropriated monies

Tonight the Honorable Town Council will consider a proposed Loan Order totaling \$262,800 related to a roofing project at the North Fire Station and Administration Building. The two roofing projects were combined for economy of scale and efficiency. These projects were originally part of a larger project for repairs at five Town buildings (Administration Building, Library, Main Fire Station, North Fire Station and East Fire Station) that will be bid in the coming months.

### **Energy Services Company (ESCO) Project**

One of the top priorities of the Honorable Town Council's Fiscal Year 2013 Budget Policy Guidelines was to work with the Town's selected Energy Services Company (ESCO) to develop and implement a plan toward reducing municipal baseline energy usage by 20% in five years; and having been certified as a Green Community, continue to pursue every related grant.

On February 26, 2013 the Honorable Town Council approved a loan order of \$7,350,000 to move forward on the optimized ESCO Project. The following is a summary of the ESCO Project:

- Covers 14 Town and School Buildings
- 97 Energy Infrastructure Upgrade Projects
- \$7.35 Million in Energy Infrastructure Investments
- Estimated 22.11% savings of baseline energy usage in electricity
- Estimated 32.01 savings of baseline energy usage in natural gas

The Energy Performance and Management Service Agreement with Johnson Controls has been negotiated and executed. The following are some of the highlights of the Agreement:

- Creative financing method that leverages existing operating and energy budgets to implement turnkey energy infrastructure solutions, increase building efficiency and reduce operating costs.
- Annual realized energy and operational savings are reallocated to pay debt service obligations plus any annual program costs.



- Permanent financing payment obligations are met by the guaranteed annual energy savings. The guaranteed annual energy savings is required by both State law and contractual obligations.
- The performance contracting program has been properly optimized to result in the proposed implementation of key infrastructure upgrades that will produce long-term sustainable energy and operational savings, along with key environmental benefits.
- The measurement and verification program, as negotiated between Johnson Controls and the Town balances risk with cost and provides for a quarterly review of performance to support the annual review.

As a follow up to the above summary and highlights of the Energy Performance and Management Service Agreement, the Honorable Town Council reviewed the establishment of an Energy Stabilization Fund in which to place rebates, grants and funds from departmental energy savings. On May 14, 2013, the Honorable Town Council established the ESCO Capital Projects Stabilization Fund which will be used to pay the debt service on the energy efficiency projects incurred under the ESCO Project.

At the September 10, 2014 Town Council Meeting, Beth Greenblatt, Beacon Integrated Solutions and Owner's Agent, provided an update on the ESCO Project. At that presentation, Ms. Greenblatt indicated Johnson Controls is expected to complete the project on budget; projected utility rebates/incentives were \$274,066 and the actual incentives received total \$351,639; and Johnson Controls will be hosting a Measurement and Verification Workshop for all stakeholders.

The Measurement and Verification Workshop was held on February 27, 2015 and was designed to update all stakeholders on the Measurement and Verification Program and set expectations as to the requirements, obligations and information during the performance phase of the ESCO Project.

#### **Fiscal Year 2014 Proposed Loan Orders**

As you recall, the Fiscal Year 2014 Budget Message dated April, 23, 2013 stated Proposed Loan Orders would be brought forward for various Capital items contained in the Fiscal Year 2014 CIP. The acquisition of the proposed items is consistent with one of the Honorable Town Council's priorities of not deferring maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years.

As a follow up to the Honorable Town Council's adoption of conceptual recommendations on the Fiscal Year 2015-2019 Capital Improvement Program at the April 8, 2014 Town Council Meeting, the following is the revised list contained in the Fiscal Year 2014 CIP. Proposed Loan Orders were to be brought forward for these capital items.

• Street & Sidewalk Improvements	\$2,500,000
• Skating Arena Improvements (including Metal Roof)	\$ 709,000
• Public Works Equipment	\$ 482,000
• Library Building Improvements	<u>\$ 100,000</u>
TOTAL:	\$3,791,000

One of the adopted conceptual recommendations of the Fiscal Year 2015-2019 Capital Improvement Program was that the Skating Arena roof replacement be done in two phases, based on initial investigation by the on-call architect and the recommendation of the Building Inspector, as follows:

- Phase 1 – Remove the ceiling and insulation under one contract, using about \$100K transferred from FY14 Council Reserves.
- Phase 2 – Replace the roof, borrowing about \$675K under a second contract.

As a follow-up to the above mentioned conceptual recommendation, on May 13, 2014 the Honorable Town Council appropriated \$96,500 to move forward with Phase 1 of the replacement of the John A. Ryan Arena's roof.

Phase 2 of the Skating Arena's roof replacement was originally estimated to have a cost of \$675,000 and the intent was to bring forward a proposed loan order to borrow monies for this phase of the project. As a result of not moving forward with some of the planned capital items during Fiscal Year 2014, monies were available in the Debt appropriation to fund this capital project. On June 10, 2014, the Honorable Town Council appropriated \$380,000 to move forward with Phase 2 of the replacement of the John A. Ryan Arena's roof.

On June 24, 2014, the Honorable Town Council authorized a Loan Order totaling \$2,500,000 to fund street and sidewalk improvements contained in the Fiscal Year 2014 CIP.

As a follow up to the Honorable Town Council's adoption of conceptual recommendations on the Fiscal Year 2016-2020 Capital Improvement Program, the following is a revised list of items contained in the Fiscal Year 2014 CIP. Proposed Loan Orders will be brought forward for these capital items.

• Skating Arena Improvements	\$ 34,000
• Public Works Equipment	\$ 502,000
• Library Building Improvements	<u>\$ 100,000</u>
TOTAL:	\$ 636,000

#### **Fiscal Year 2015 Proposed Loan Orders**

As you recall, the Fiscal Year 2015 Budget Message dated April 29, 2014 stated Proposed Loan Orders will be brought forward for various Capital items contained in the Fiscal Year 2015 CIP. The acquisition of the proposed items is consistent with one of the Honorable Town Council's priorities of not deferring maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years. The items that were to be included in the Proposed Loan Orders are as follows:

• Street & Sidewalk Improvements	\$2,500,000
• Victory Field Improvements (Phase II)	\$2,500,000
• Various School Improvements	\$ 989,500
• Filippello Park/Grove Street End of Park	\$ 600,000
• Public Works Equipment	\$ 426,000
• Underground Duct for Utilities	\$ 300,000
• Skating Arena Improvements	\$ 55,000
• Library Building Improvements	<u>\$ 30,000</u>
TOTAL:	\$7,400,500

As a follow up to the Honorable Town Council's adoption of conceptual recommendations on the Fiscal Year 2016-2020 Capital Improvement Program, the following is a revised list of items contained in the Fiscal Year 2015 CIP. Proposed Loan Orders will be brought forward for these capital items.

• Street & Sidewalk Improvements	\$2,500,000
• Various School Improvements	\$ 915,000
• Filippello Park/Grove Street End of Park	\$ 600,000
• Public Works Equipment	\$ 426,000
• Underground Duct for Utilities	\$ 300,000
• Library Building Improvements	\$ 65,000
• Fire Equipment (Emergency Ambulance Vehicle)	<u>\$ 235,000</u>
TOTAL:	\$5,041,000

#### **Fiscal Year 2015 Transfers of Funds**

The following items are not included in the Fiscal Year 2016-2020 Capital Improvement Program as the intent is to have the Honorable Town Council consider transfer of funds requests during Fiscal Year 2015 or the utilization of previously appropriated monies. The items are as follows:

- Rink Fire Alarm
- Community Path Design (Mt. Auburn to Main Street)
- Linear Park Walkway Lighting
- Fleet Management Information System
- Repair of existing elevator at Victory Field Grandstand
- Records Storage Management & related issues

### **School Capital Projects**

Since 1995 and through tonight's submission, the Honorable Town Council has appropriated \$50,831,500 in Loan Order authorizations and additional transfer of funds for the renovating, expanding and equipping of all the schools.

As indicated earlier in this message, one of the Honorable Town Council's Fiscal Years 2015 and 2016 Budget Policy Guidelines is to "work collaboratively with the Watertown Public Schools to develop a capital projects funding schedule to address school building requirements in order to meet the identified needs for enrollment and programs."

As a follow up to that Budget Policy Guideline, on February 11, 2014 the Honorable Town Council approved the submission of an Accelerated Repair Program Statement of Interest to the Massachusetts School Building Authority (MSBA). This program is primarily for the repair and/or replacement of roofs, windows and/or boilers. The Calendar Year Reimbursement Rate for Watertown is 48.47%. The Accelerated Repair in question is the replacement of the Middle School Roof over the gymnasium. This Project is listed in the Fiscal Year 2015 CIP.

On April 8, 2014, the Honorable Town Council approved the submission of a Core Program Statement of Interest (SOI) related to the High School to the Massachusetts School Building Authority (MSBA). The Core Program is primarily for projects beyond the scope of the Accelerated Repair Program, including extensive repairs, renovations, additions/renovations, and new school construction.

On June 5, 2014, the MSBA informed the Town that the Middle School Accelerated Repair Program related to the replacement of the Middle School roof over the gymnasium will not be invited into the Fiscal Year 2014 Accelerated Repair Program.

On December 12, 2014, the MSBA informed the Town that the Watertown High School SOI will not be invited into the MSBA's Fiscal Year 2014 eligibility period. MSBA indicated if Watertown would like the High School to be considered for future collaboration with the MSBA, the Town should file an SOI in Fiscal Year 2015 by April 10, 2015.

On February 10, 2015, the Honorable Town Council approved the submission of an Accelerated Repair Program Statement of Interest to the Massachusetts School Building Authority. The Accelerated Repair Program (ARP) is primarily for the repair and/or replacement of roofs, windows and/or boilers. The Reimbursement Rate for calendar years 2014 and 2015 for Watertown is 48.47%. The Accelerated Repair in question is the replacement of windows at the Middle School. This Project is listed in the Fiscal Year 2016 CIP.

On March 10, 2015, the Honorable Town Council approved the submission of a Core Program Statement of Interest to the Massachusetts School Building Authority. The Core Program is primarily for projects beyond the scope of the Accelerated Repair Program, including extensive repairs, renovations, addition/renovations, and new school construction. The Core Program in question is the High School.

Subsequent to the decision of the MSBA to not invite the Town into the Fiscal Year 2014 Accelerated Repair Program, the School Department utilized the services of a roofing contractor who made repairs and issued a letter expressing his professional opinion that with appropriate maintenance the life of the existing roof will be another 5 to 10 years.

Given the above, the Honorable School Committee had requested the Town move forward with the Hosmer Unit Ventilators Project in Fiscal Year 2015 instead of the Middle School roof replacement.

On April 14, 2015, the Honorable Town Council approved a Loan Order totaling \$770,000 for two Fiscal Year 2015 Projects that construction will be completed over this summer. The two projects are as follows:

Hosmer – Unit Ventilators Replacement	\$595,000
Middle School – Floor Replacement	<u>\$175,000</u>
	\$770,000

The Fiscal Year 2016-2020 CIP includes funding of various school improvements totaling \$8,493,700 over the next five years including \$1,336,000 in Fiscal Year 2016, of which \$460,500 will be included in the “School Capital Projects” appropriation, \$675,500 will be included in a future loan order and \$200,000 related to technology will be funded within the School Department’s operating budget.

As stated in the Fiscal Years 2009 and 2010 Budget Messages, beginning in Fiscal Year 2011, Technology will be funded within the School Department’s operating budget.

The following is a breakdown by location of the School Capital Projects included in the Fiscal Year 2016 CIP.

• Hosmer	\$ 180,200
• High School	\$ 250,500
• Cunniff	\$ 67,000
• Middle School	\$ 415,000
• Lowell	\$ 23,000
• Phillips	\$ 40,000
• District	<u>\$ 160,300</u>
TOTAL:	\$1,136,000

### **Fiscal Year 2016 Proposed Loan Orders**

During Fiscal Year 2016, Proposed Loan Orders will be brought forward for various Capital items contained in the Fiscal Year 2016 CIP. The acquisition of the proposed items is consistent with one of the Honorable Town Council's priorities of not deferring maintenance and/or recognition of costs of capital equipment, facilities and infrastructure to future years. The items that will be included in the Proposed Loan Orders are as follows:

• Street & Sidewalk Improvements	\$2,500,000
• Victory Field Improvements (Phase II)	\$2,500,000
• Public Works Equipment	\$1,490,000
• Moxley Courts Renovations & Lighting	\$ 900,000
• Various School Improvements	\$ 460,000
• Fire Stations (2) Improvements	\$ 325,000
• Police Equipment	\$ 263,800
• Parks Control Link Retrofit	<u>\$ 100,000</u>
TOTAL:	\$8,538,800

### **Capital Projects Stabilization Fund**

The original North East Solid Waste Committee Agreement (NESWC) expired in September 2005 and the Town has executed three Post 2005 Agreements through Fiscal Year 2020. As a result of these actions and the foresight the Town had in funding the significant costs of the NESWC Agreement, transfers of \$500,000 annually from the NESWC/Capital Projects Stabilization Fund began in Fiscal Year 2006 and have continued through Fiscal Year 2015.

On July 16, 2013, the Honorable Town Council appropriated \$1,000,000 to this Stabilization Fund in order to continue the annual transfer of \$500,000 through Fiscal Year 2017.

On July 15, 2014, the Honorable Town Council appropriated \$500,000 to this Stabilization Fund in order to continue the annual transfer of \$500,000 through Fiscal Year 2018.

In order to continue the annual transfer of \$500,000 beyond Fiscal Year 2018, we will look for opportunities to make transfers to this Stabilization Fund in an effort to support Capital Projects.

### **Street and Sidewalk Improvements**

Street and sidewalk maintenance is one of the top priorities in the Honorable Town Council's Fiscal Years 2009 through 2016 Budget Policy Guidelines. Within the Fiscal Year 2016-2020 CIP, \$91,091,800 is designated for street and sidewalk improvements. The Fiscal Year 2016 General Fund Budget includes \$873,341 to augment projected Chapter 90 monies. Beginning in Fiscal Year 1999 and including Fiscal Year 2016, the Honorable Town Council has approved \$11,202,778 for the Street and Sidewalk Improvements appropriation, an average of \$622,377 for each of the eighteen fiscal years.

One of the top priorities of the Honorable Town Council's Budget Policy Guidelines was to update the Roadway Management Study to develop a priority list and funding schedule for the improvements of the Town's streets and sidewalks. Implement infrastructure recommendations from the Strategic Framework for Economic Development and pursue state/federal funding such as the Transportation Improvement Program (TIP) and School Safety Zone funding to improve traffic and safety.

The updated Roadway Management Study was presented to the Committee on Public Works on February 21, 2012 and a report of that meeting was provided to the Honorable Town Council at the February 28, 2012 Town Council Meeting..

The following is a summary of the updated Roadway Management Study and related points from the Committee on Public Works minutes.

- There are two significant differences in the new study that were not included in the previous study:
- Use of advanced technologies to preserve a road surface and extend the amount of time before repaving is needed, such as crack sealing and micro-planing.
- Change of scope to include curbs, sidewalks, and planting strip rehabilitation in addition to paving of the street surface.
- The study indicated that Watertown has 73.68 miles of road, not the 71.80 that MassDOT shows; thus Watertown may be eligible for additional Chapter 90 funds.
- Every road was surveyed and assigned a Road Surface Rating (RSR) of 1 to 100, where 100 is a newly paved road. The composite RSR is 70, and Watertown's RSR is 59.
- The leading cause of road failure is water infiltration through cracks and utility patches, and heavy vehicle loads from trucks to buses.
- The estimated cost to bring all roads to a RSR of 100 in one year is about \$92M, but this will change each year as new roads age and old roads are fixed.
- The purpose of this study is to develop a long-term plan to maximize the use of Capital Improvement Program (CIP) funds to increase the Town's overall RSR average.

On August 14, 2012, the Honorable Town Council authorized a Loan Order totaling \$2,500,000 to fund Street and Sidewalk Improvements.

On June 24, 2014, the Honorable Town Council authorized another Loan Order totaling \$2,500,000 to fund Street and Sidewalk Improvements contained in the Fiscal Year 2014 CIP.

As a follow up to the adoption of conceptual recommendations on the Fiscal Year 2016-2020 Capital Improvement Program, a Loan Order totaling \$2,500,000 will be brought forward shortly to fund Street and Sidewalk Improvements contained in the Fiscal Year 2015 CIP.

Five future Loan Orders for Street and Sidewalk Improvements totaling \$12,500,000 are included in the Proposed Fiscal Year 2016-2020 CIP. Loan Orders of \$2,500,000 are proposed for Fiscal Years 2016 through and including Fiscal Year 2020.

In summary, beginning in Fiscal Year 2013 and continuing through Fiscal Year 2020, the Honorable Town Council has or is planning on authorizing loan orders of \$2,500,000 for each of the eight fiscal years for a total of \$20 million dollars, all within the confines of Proposition 2 ½.

### **Monument Restoration**

Funding of \$50,000 was included in the Fiscal Year 2013 Budget to move forward with restoring the various monuments around Town to their appropriate condition for the remembrance of the various people or events that are being recognized.

The Conservation staff, working with the Historic Commission, Historic Society, and citizens, have completed the restoration of the vandalized and damaged monuments in various locations around Town, consistent with the initial intent of these funds. Estimates were secured for preservation work at the Arlington Street Cemetery. It was also discovered that there may be grant funds available for this work, if the location is on the National Historic Register. In order to leverage existing dollars, the Town should consider pursuing National Historic Register designation. Bids are being secured to help process such an application for the Town's two historic cemeteries. The designation would then be followed up with grant applications and contracting with a preservationist to utilize these funds to repair and preserve as many resources as possible in the Town's two historic cemeteries.

Annual funding of \$10,000 has been included in the Proposed Fiscal Year 2016-2020 CIP to allow for the above mentioned efforts to continue and provide for regular upkeep and maintenance of Town monuments.

### **Town Capital Projects**

The Town Capital Projects line item includes \$200,000 for recreational playground improvements.

In addition to all of the above mentioned Capital Projects and items, I respectfully recommend discussion continue with the Honorable Town Council on the following items:

- Reuse of Town Buildings (Former Branch Libraries & Former Police Station)
- Record Storage
- Recreation and Open Space Improvements/Opportunities
- Structured Parking Watertown Square
- Additional Parking needs



## **WATER AND SEWER ENTERPRISE BUDGETS**

In Fiscal Year 1999, the Town Council established the Water and Sewer Enterprise Funds. The Town Council adopted a three-tiered rate structure to equitably charge each class of customer, encourages conservation, minimizes low income and elderly charges and provides capital improvement funds.

The continued utilization of enterprise funds will allow us to demonstrate which portions of the total cost of services are recovered through user charges versus the tax levy. The surplus or retained earnings, if any, will remain with the fund either to develop reserve funds for system improvements or to offset future rate increases.

The Fiscal Year 2016 Water and Sewer Enterprise Budgets total \$17,156,986, which is an increase of \$642,530 over the Fiscal Year 2015 amount of \$16,514,456. The Water and Sewer divisions are funded at the Fiscal Year 2015 staffing levels of seventeen (17) full time employees.

In accordance with the related conceptual recommendation on the Fiscal Year 2015-2019 CIP, retained earnings of \$1,000,000 (water \$500,000 & sewer \$500,000) had been included in the Fiscal Year 2015 Water and Sewer Enterprise Fund Budgets in order to address unbudgeted and undiscovered water main, sewer and storm drain work in coordination with the upcoming Belmont Street Reconstruction and other projects.

Retained earnings of an additional \$1,000,000 (water \$500,000 & sewer \$500,000) has been included in the Fiscal Year 2016 Water and Sewer Enterprise Fund Budgets in order to continue addressing water-sewer-stormwater infrastructure in coordination with upcoming street construction projects.

The required Massachusetts Water Resources Authority (MWRA) assessments of \$9,211,313, is an increase of \$337,751 over the Fiscal Year 2015 assessments.

The Town is currently working with a consultant to review actual and projected consumption data in Fiscal Year 2015 as well as project revenues and rates for Fiscal Year 2016. The Fiscal Year 2016 Water and Sewer rates will incorporate the results of the analysis and recommendations to better reflect the recovery of costs for the Water and Sewer Enterprise Funds. It is anticipated the proposed Fiscal Year 2016 Water and Sewer rates will be presented to the Honorable Town Council prior to consideration of the Submitted Fiscal Year 2016 Budget.

### **Water and Sewer Enterprise Funds Capital Improvement Program (CIP)**

The proposed Fiscal Year 2016-2020 Water and Sewer Enterprise Funds CIP totals \$18,785,000, which represents an increase of \$4,179,200 from the Fiscal Year 2015-2019 Enterprise Funds CIP; and is attached in this document.

Tonight the Honorable Town Council will consider a proposed Loan Order totaling \$530,000 utilizing monies from the MWRA Inflow and Infiltration I/I Local Financial Assistance Program which consists of a \$238,500 grant (45%) and a \$291,500 interest free loan (55%) payable over five years.

Tonight the Honorable Town Council will also consider a proposed interest free Loan Order totaling \$900,000 utilizing monies from the MWRA Local Water System Assistance Program (LWSAP). This program provides funds for replacing outdated unlined cast iron water mains in the Town's distribution system which will improve system water quality and increase system pressures and flows.

Additionally, the acquisition of a water service box truck totaling \$160,000 will be included in a proposed Loan Order prior to the end of Fiscal Year 2015.

The Council's Committee on Public Works is continuing to explore options for the Department of Public Works' proposed replacement of Town-wide residential and commercial water meters.

In Fiscal Year 2016, The Department of Public Works will be undertaking multiple projects throughout the Town utilizing previously appropriated capital funds. The various projects are related to the following:

- Inflow and Infiltration Removal
- Sewer and Drain Replacement & Relining
- Water System Improvements
- Water Main Replacements

All of the work to the water, sewer and drain systems directly impacts the Water and Sewer rates. Interest free loans and outright grants will enable the Town to perform necessary work with little or minimal impact on the rate payers.

In accordance with Town Council's Budget Policy Guideline, a determination of how to fund future stormwater infrastructure improvements will be undertaken. Options exist including the creation of a stormwater utility, which could be set up as an Enterprise Fund (as the City of Newton has done); or financing could be established through the General Fund. It will be important to first have the NPDES permit issued by EPA in order to determine exactly what costs will need to be addressed. The Stormwater Advisory Committee will be giving an informational presentation to the Honorable Town Council on options for funding Stormwater Infrastructure Improvements.

The Stormwater Advisory Committee working with the Town Engineer has revised ordinances related to stormwater management and have forwarded same to the Town Attorney for review in advance of Town Council's consideration. The Committee has also been working on public education and outreach, starting with joint efforts with the School Department producing a series of Public Service Announcements.

## **DEPARTMENTAL BUDGET OVERVIEW**

### **Division of Local Services – Financial Management Review**

The Division of Local Services offered to perform a full financial management review (FMR) of the Town as their records indicated Watertown was one of the remaining Massachusetts towns that had never received the review.

Their comprehensive financial management reviews offer analysis of financial procedures and the effectiveness of checks and balances; and assess the impact of technology and government structure on municipal operations.

The review began in February 2013 and was presented to the Honorable Town Council at their September 24, 2013 meeting. The Division of Local Services indicated their recommendations often serve as a blue print for resolving issues and achieving long-term stability.

The Primary Recommendations of the FMR were to create a Deputy Town Manager position and to consider organizing a Finance Department, preferably run by the proposed Deputy Manager.

The Council's Committee on Personnel and Town Organization have met several times on these two primary recommendations. The Committee agreed that "adding new senior management positions may be the best long term approach; it is not realistic in the current financial environment and identifying two department heads to assist the Town Manager would be preferable."

The following motion was adopted by the Honorable Town Council at their April 8, 2014 meeting: "allow the Manager to identify an existing department head who would be given additional responsibility, authority, and compensation, to assist the Manager with various general management tasks and special projects."

On July 8, 2014, Steven Magoon was appointed Assistant Town Manager. In addition to continuing as Director of Community Development and Planning, Mr. Magoon's responsibilities as Assistant Town Manager include the following:

- Serve as Acting Town Manager during any absence of the Town Manager;
- Serve as the Town's designee to the MBTA Advisory Board and as Municipal Hearing Officer in accordance with M.G.L. Chapter 148A;
- Serve as a member of the budget team;
- Monitor various projects involving on-call architect services;
- Coordinate with the Department of Public Works on maximizing the use of capital funds and departmental resources, as well as providing information to the general public in a timely, readily accessible fashion;

- Oversee the examination of changes in staffing and/or processes needed to better handle enforcement of non-criminal ordinances and regulations such as snow removal; improper trash disposal; permit violations, and the like;
- And oversee other Special Projects as needed.

The Committee on Personnel and Town Organization had asked the Personnel Director to “draft a sample job description that would combine the existing Town Auditor position and the additional responsibilities of Assistant Town Manager for Finance overseen by the Town Council and Town Manager, respectively.”

The following motion was adopted by the Honorable Town Council at their January 13, 2015 meeting: allow the Manager to appoint the Town Auditor as Assistant Town Manager for Finance, to oversee and monitor all financial management staff, assist with budget preparation, and undertake other financial responsibilities as assigned by the Manager. The matter will be reported back to the Town Council in one year and reevaluated if the Council so chooses.

On January 20, 2015, Thomas J. Tracy was appointed Assistant Town Manager for Finance. In addition to continuing as Town Auditor, Mr. Tracy’s responsibilities as Assistant Town Manager for Finance include the following:

- Responsible for coordinating all Town department budgets, developing and implementing a schedule that meets the budget deadline dates as outlined in the Town’s Charter and By-Laws, and is responsible with the Town Manager to prepare the Town Manager’s recommended balanced budget;
- Responsible for both long and short range financial planning; assisting the Town Manager in preparing the five (5) year Capital Improvement Plan, developing revenue projections for budget planning, and recommending plans for administrative systems and internal financial controls throughout the Town;
- In conjunction with the Treasurer/Collector, prepares the Town’s debt management plan, including recommendations for bonding, short-term borrowing and self-funding;
- Participate as a member of the Town’s negotiating team for the purposes of collective bargaining, as well as related strategy sessions and researching the financial implications of proposals;
- Develop and maintain risk management programs for property and casualty exposure areas, workers’ compensation and public safety injury on duty exposure areas.

Additionally, there are 14 overall Financial Management Recommendations included in the FMR. The Council’s Committee on Budget and Fiscal Oversight are reviewing and will be providing recommendations to the full Town Council.

## **General Government**

The Submitted Fiscal Year 2016 Budget appropriation is \$4,838,344, a projected increase of \$171,231 over the Fiscal Year 2015 Revised Appropriation. The Fiscal Year 2016 Budget includes funding of forty one (41) full time and six (6) part time employees within the fourteen (14) General Government departments.

The Town Council Reserve Fund of \$575,000 is a decrease of \$241,720 over the current Fiscal Year 2015 revised appropriation and provides for unforeseen and additional needs.

## **Elections**

During Fiscal Year 2016, the Election Commission is scheduled to conduct the following election exercises:

Preliminary Election - Tuesday September 15, 2015  
Municipal Election - Tuesday November 3, 2015  
Presidential Primary – Tuesday, March 1, 2016

Funding has been included to have polls open from 7:00AM-8:00PM.

## **Community Development & Planning**

In accordance with several of the Honorable Town Council's Fiscal Year 2016 Budget Policy Guidelines, the Community Development and Planning Department will begin implementation of key recommendations of the Comprehensive Plan this summer. The Plan deals with a broad spectrum of issues and encourage the Town government and its citizens to work in concert towards common goals.

Long range plan implementation includes continuing to promote a diversified and growing tax base through implementation of the Strategic Framework for Economic Development, which envisions the possibility of a hotel, new restaurants, and a long term goal to increase Town revenue. Economic development efforts will also encourage investment and redevelopment of abandoned or underutilized properties in Town, including Town facilities. Much of the work of the Department of Community Development and Planning relates to the level of development activity in Watertown and the completion of the Comprehensive Plan. The development activity listed below gives a sense of the projects that have been processed by this office. This development activity has and will generate additional revenue from Inspection Fees and New Growth.

Summary of recent major development activity:

575 residential units recently constructed  
369 residential units and 47,000 square feet of commercial space under construction  
150 hotel rooms, 24 residential units and 15,200 square feet of commercial space approved but not yet under construction  
282 residential units and 317,000 square feet of commercial space in the approval process

Honorable Town Council's Fiscal Year 2016 Budget Policy Guideline II. H. reads as follows: "Examine changes in staffing and/or processes needed to better handle enforcement of noncriminal ordinances and regulations such as snow removal, improper trash disposal, permit violations, and the like." The request for another building inspector is intended to primarily address existing shortages of resources, but could also help address this goal. Although the additional funding request has not been included, further consideration of the role and responsibilities of the various departments which handle these complaints is also an important consideration. Meetings to address the combined efforts of Department of Community Development and Planning, Health Department, Department of Public Works, and the Police Department are ongoing to determine how best to proceed.

The Town was awarded a grant from the Commonwealth to hire an Energy Manager, with a number of identified goals over a two year period. In summary, the position is responsible for identifying opportunities to improve efficiency of all Town properties, including monitoring the operation of the ESCO improvements that have been completed. The position is also providing staff support to the Environment and Energy Efficiency Committee, as well as working with the school system on appropriate curriculum opportunities. It is expected that the position will secure revenue through grants and energy savings to support the position moving forward.

### **Information Technology**

The Submitted Fiscal year 2016 appropriation for the Information Technology Department is \$694,676, which is an increase of \$26,547 over the revised Fiscal Year 2015 Budget. Funding has been continued to augment services by sharing of a current school employee.

The Honorable Town Council President formed the Communications, Information Systems and Technology Committee that also includes School Department representatives to review all Information Technology functions.

Discussions have been held and need to continue in accordance with Town Council's Fiscal Year 2016 Budget Policy Guidance on how best to improve town-wide communications through the improvements to the Town's website and enhanced use of social media; consider a redesign of the Town's website to improve features and functionality; and consider additional technical and communications staff.

### **State and County Charges**

The Fiscal Year 2016 State and County Charges Appropriation is \$2,432,293, which is a decrease of \$3,053 over the Revised Fiscal Year 2015 Budget. The MBTA Assessment of \$2,119,774 represents 87% of this appropriation.

### **Retirement Benefits**

As indicated earlier, Standard & Poor's Rating Services cited the Town's plans to address its Unfunded Pension and Other Post-Employment Benefits (OPEB) liabilities as one of the factors in the Town's bond upgrade.

As of January 1, 2014 the Unfunded Pension Liability of the Retirement System is \$52,998,247, a decrease of \$13,532,091 from the Unfunded Pension Liability of \$66,530,338 as of January 1, 2010. For comparison purposes, as of January 1, 2008 the Unfunded Pension Liability was \$43,511,304, therefore the Unfunded Pension Liability increased by \$9,486,943 over the last six calendar years.

The Council's Budget Ongoing Policy Guideline I C is related to Pension Liability and Other Post-Employment Benefits and reads in part as follows: In order to achieve long term financial stability, meet the Town's obligation to its employees and retirees, and maintain favorable bond ratings, the Council, the Retirement Board and Town Manager will work to address the Town's unfunded pension liability and other post-employment benefits (OPEB).

Given the size of the unfunded pension liability and the above mentioned Budget Policy Guideline, annual funding of an Unfunded Pension Liability Paydown account was implemented with funding of \$250,000 included in the Fiscal Year 2013 Budget.

On July 17, 2012, the Honorable Town Council established the Unfunded Pension Liability Paydown Stabilization Fund and appropriated \$750,000 into said fund. That action has and will allow an appropriation of \$250,000 to the Unfunded Pension Liability Paydown account in Fiscal Years 2014, 2015 and 2016.

On July 16, 2013, the Honorable Town Council appropriated another \$750,000 into said fund. That action will allow an appropriation of \$250,000 to the Unfunded Pension Liability Paydown Account in Fiscal Years 2017, 2018 and 2019, when the Unfunded Pension Liability is expected to be paid in full.

The Watertown Contributory Retirement Board's (WCRB) Funding Schedule had the Retirement System being fully funded by the end of Fiscal Year 2022. The WCRB awarded a contract to conduct a Funding Schedule review as of January 1, 2013. The results of the actuarial valuation indicated the Retirement System could be fully funded in Fiscal Year 2019 with a \$1,627,000 increase in Fiscal Year 2015, annual increases of \$1,550,000 in Fiscal Years 2016 through Fiscal Year 2018; and \$500,000 in Fiscal Year 2019.

I am very pleased the WCRB adopted a Funding Schedule which has been approved by the Public Employee Retirement Commission that has the Retirement System fully funded in Fiscal Year 2019.

As a result of this action, the Fiscal Year 2019 Retirement appropriation is anticipated to be \$17.7 million and the Fiscal Year 2020 Retirement appropriation is anticipated to be \$2.1 million, a reduction of \$15.6 million dollars.

Therefore, given all of the above, the recommended funding level of the Retirement Appropriation for Fiscal Year 2016 is \$13,851,481 which is an increase of \$1,542,090 over the Fiscal Year 2015 Budget.

#### **Other Post Employment Benefits (OPEB)**

As of July 1, 2013, the Unfunded OPEB Liability is estimated to be \$163,903,670.

On July 10, 2007, the Honorable Town Council voted to establish an Other Post Employment Benefits (OPEB) Stabilization Fund and transferred an initial \$864,710 into this fund as a first step in the development of a plan to address the Town's OPEB obligation.

On July 8, 2008, The Honorable Town Council transferred an additional \$151,987 to the OPEB Stabilization Fund.

An OPEB Trust Fund will be established and monies previously appropriated to the OPEB Stabilization Fund will be converted to the Trust Fund in accordance with the Town Council Ongoing Budget Policy Guideline.

Subsequent to the pay down of the Unfunded Pension Liability in Fiscal Year 2019, a long-range financial plan for addressing the Unfunded OPEB Liabilities will be created in accordance with Council's Ongoing Budget Policy Guideline.

### **Insurance and Employee Benefits**

The Town was one of 11 Massachusetts communities joining the Commonwealth of Massachusetts Group Insurance Commission in Fiscal Year 2010. A Memorandum of Agreement was executed with the Public Employee Committee transferring the Town's group health insurance coverage to the Group Insurance Commission beginning July 1, 2009 and continuing through June 30, 2015.

Pursuant to the provisions of the Memorandum of Agreement, the Town and the Public Employee Committee entered into negotiations in February 2014 for a successor to the 2009-2015 agreement.

On May 30, 2014, a Memorandum of Agreement was executed with the various member groups of the Public Employee Committee continuing the Town's group health coverage under the Group Insurance Commission through June 30, 2021.

This decision allows the Town to continue providing quality health insurance to its employees and retirees. Additionally, the Town has been the beneficiary of the Group Insurance Commission's proven track record of cost containment and stability, as evidenced in the chart on page 14 of this message. The Fiscal Year 2016 appropriation of \$14,615,919 for "Insurance & Employee Benefits" is only \$1,262,206 higher than the Fiscal Year 2009 appropriation of \$13,353,713, some seven fiscal years ago and is a 9.45% increase over that time period or an annual average of 1.35%. This track record will continue to greatly assist in the development of future budgets, while striving to provide the highest level of essential services to the citizens of Watertown while utilizing the taxpayers' dollars as effectively as possible.

The Submitted Fiscal Year 2016 Budget for the Town's cost of Health Insurance is \$12,597,417, an increase of \$732,717 over the Fiscal Year 2015 Budget.

The chart below reflects the Town's obligations for Employees and Retirees Health Insurance in Fiscal Year 2016.

	<b>FY 15 Revised Budget</b>	<b>FY 16 Proposed Budget</b>	<b>Variance</b>
Town Health Ins.	\$ 3,399,100	\$ 3,569,950	\$ 170,850
School Health Ins.	\$ 4,274,400	\$ 4,794,017	\$ 519,617
Retiree Health Ins.	\$ 3,678,000	\$ 3,711,850	\$ 33,850
Medicare Part B Reimb.	\$ 492,000	\$ 500,000	\$ 8,000
PEC Related Fees	\$ 21,600	\$ 21,600	\$ -
Total	\$11,865,100	\$12,597,417	\$ 732,317



## **Public Safety**

One of the top priorities of the Honorable Town Council's Fiscal Year 2012 Budget Policy Guidelines was related to Public Safety, in that Police, Fire and Dispatch together represent the Town's biggest expenditure after Education and an examination of how to best deliver the level of service citizens want more effectively should be undertaken.

To that end, a RFP was issued seeking proposals to conduct a Public Safety Study. The objective of the Public Safety Study was to perform an assessment of the Fire Department and Police Department, including Dispatch Operations and identify opportunities for improvements in efficiency and cost effectiveness of operations to meet service needs for Watertown. Comparison of the Watertown public safety operations with similar communities and identify possible options for changes in organization, operations or mutual aid relationships, or consolidation of any duplicated services that improve cost effective delivery of public safety service would be considered.

Specific items to be addressed included the following:

- Identify Service needed for Watertown based on the characteristics of the community, statutory and regulatory requirements for response and delivery and comparison with current ability to fulfill the needs and expectations.
- Identify the public safety risks and prioritize the level of risk that must be covered based on the data and operations of the public safety departments. The type, frequency, distribution, response times, mutual aid and/or contractor provided services, staffing policies, reporting of emergency and routine responses to all services will be included.
- Define services performed by each department, any duplication of services, and services that are not currently provided, but are needed.
- Review the current centralized dispatch operation located in the new police station for Watertown emergency public safety services, including the current organization, management/supervision, training, schedule and data/technology required for each department. Comparison with other similar communities and the possible feasibility of consolidation with other departments will be included for consideration.
- Assess the current plan for deploying the required number of public safety officers and supervisors, along with vehicles/apparatus used and recommend cost effective alternatives based on the type of incident for each department. Evaluate whether there are recommended changes to improve efficiency and delivery of service.
- Evaluate schedules for assigning required personnel, including appropriate staffing, supervisors, management, and support staff to respond from the initial call for routine and emergency service through to generating the incident report and findings, and any subsequent proceedings such as court appearance, legal action, or insurance resolution or inspection.

- Identify the required staffing levels to meet the needs of the community in the most cost effective and complete manner and examine the use of overtime and leave time for each department and in Watertown and comparable communities including operating costs, personnel impacts, and impact on delivery of service and work load.
- Evaluate feasible options for public safety service and delivery to determine whether services can be effectively shared with other public and/or private entities. Evaluate needs for service backups. Review the possibilities and cost implications of contracted services vs. staffing in each department.
- Evaluate current and planned vehicle/apparatus configuration/ acquisition/replacement, maintenance and assignment practices to determine whether the existing operations are the most cost effective implementation.
- Evaluation of Departmental policies and procedures and collective bargaining provisions that impact the efficient operations of the department and public safety service delivery. Review education and/or prevention training requirements, and funding allocation in comparison to other communities and standards. Include possible recommendations that may improve the current policies, procedures, training and delivery of services in the most cost effective manner.

The Public Safety Study was completed and in accordance with their Budget Policy Guidelines, the Honorable Town Council has proceeded with a review of the Public Safety Study recommendations and will continue their review to determine how best deliver the level of service citizens want, more efficiently.

### **Police**

The Fiscal Year 2015 Budget includes funding of sixty six (66) uniformed Police Officers including forty eight (48) Patrol Officers, nine (9) dispatchers, four (4) civilian employees and crossing guards for various locations throughout the Town.

In Fiscal Years 2009 and 2010, funding was eliminated for eight (8) Police Officer positions (4 in Fiscal Year 2009 and 4 in Fiscal Year 2010). In Fiscal Year 2015, one of the eight (8) positions was restored.

In an effort to restore three (3) of the eight (8) Police Officer positions, the Police Department submitted a "Request for Additional Funding" totaling \$233,346 of which \$58,500 is related to Health Insurance and related benefits.

The U.S. Department of Justice Office of Community Oriented Policing Services (COPS Office) has indicated a new, open solicitation for Fiscal Year 2015 COPS Hiring Program will be forthcoming. The Fiscal Year 2015 COPS Hiring Program (CHP) will be designed to advance public safety through community policing by addressing the full-time sworn officer needs of law enforcement agencies nationwide. CHP provides funds directly to law enforcement agencies to hire new and/or rehire career law enforcement officers, and to increase their community policing capacity and crime prevention efforts.

Fiscal Year 2015 CHP grants will provide up to 75 percent of the approved entry-level salaries and fringe benefits of full-time officers for a 36-month grant period, with a minimum 25 percent local cash match requirement and a maximum federal share of \$125,000 per officer position. The COPS Office has capped the number of officers that an agency can request through the FY2015 CHP program. All agencies' requests will be capped at no more than 5 percent of their actual sworn force strength as reported on the date of application.

At the conclusion of the 36 months of federal funding, grantees must retain all sworn officer positions awarded under the CHP grant for a minimum of 12 months.

In an effort to address the above mentioned request for three (3) Police Officers, the Submitted Fiscal Year 2016 Budget includes funding of the twenty five (25%) percent local cash match requirement for three (3) Police Officers through the Fiscal Year 2015 COPS Hiring Program.

Therefore, given all of the above, the Submitted Fiscal Year 2016 Budget includes funding of sixty nine (69) uniformed Police Officers including fifty one (51) Patrol Officers (of which three (3) would be from the COPS Hiring Program), nine (9) dispatchers, four (4) civilian employees and crossing guards for various locations throughout the Town.

The Submitted Fiscal Year 2016 appropriation is \$8,773,412 and is \$701,111 above the revised Fiscal Year 2015 Budget.

The Police Department will be placing a School Resource Officer at the Middle School for the 2015-2016 school year.

Additionally, the Police Department, in conjunction with the Recreation Department, will be looking to restore the "Cops & Kids" Program and/or the "Police Athletic League."

Funding of supplies/services has been increased \$18,036 as Fiscal Year 2016 will be the fifth full year of occupancy at the new police station. The additional funding request for the Vehicle Replacement Account has not been included. It is my intention to address the funding request prior to the end of Fiscal Year 2015 utilizing available Police Department monies with the approval of the Honorable Town Council.

Monies for Proposed Fiscal Year 2014-2016 Collective Bargaining Agreements with the Police Association and Police Supervisors have been included. If Agreements are not reached prior to the Honorable Town Council's consideration and action on the Submitted Fiscal Year 2016 Budget, an Amendment will be brought forward moving those monies to Council Reserve.

Monies have been included in the Capital Improvement Program for the acquisition of radio infrastructure and specialized equipment.

As indicated earlier, Police equipment totaling \$374,800 (\$111,000 from FY13 and \$263,800 from FY16) will be included in future Loan Orders.

## **Fire**

The Fiscal Year 2015 Budget includes funding of eighty seven (87) uniformed firefighters, of which four (4) are from the SAFER Grant, and two (2) civilian positions operating from three stations providing fire/rescue ambulance service while currently contracting services to ensure Advanced Life Support (ALS) services are provided to all residents and visitors.

In Fiscal Year 2009 through Fiscal Year 2011, funding was eliminated for nine (9) Firefighter positions (3 in Fiscal Year 2009, 2 in Fiscal Year 2010 and 4 in Fiscal Year 2011).

In February 2014, the Fire Department was awarded a Fiscal Year 2013 Staffing for Adequate Fire and Emergency Response (SAFER) Grant. The highlights of the grant are as follows:

- The grant award is \$652,000, which will allow for the hiring of 4 firefighters for a period of two years (FY15 & 16).
- There are no matching funds requirements for this hiring grant.
- There is a 90 day recruitment period which begins when the appropriation is approved for award.
- The Town cannot layoff any firefighters during the two year period of performance.
- There is no obligation to retain the SAFER funded firefighters after the conclusion of the two year period of performance for the Fiscal Year 2013 SAFER Award.

In an effort to improve the quality of life for the residents of Watertown, the Fire Department is seeking to upgrade the level of care it currently provides from basic life support (BLS) to advanced life support (ALS). Emergency medical technicians certified to the Paramedic level are required for this upgrade. The recent Public Safety Study identified two areas within the EMS system that needed further study. These were the number of vehicles dispatched to EMS calls and overall response times to EMS calls. An upgrade to ALS by the Fire Department will address and correct both of these issues. Currently, a third party ALS provider responds from their station outside the Town's limits along with the Fire Department to deliver paramedics to a medical call. An upgrade to fire based ALS paramedics eliminates this need thereby reducing the number of vehicles responding to a medical call and limiting the inherent risks associated with emergency response i.e.; vehicle accidents. Additionally, since paramedics from the Fire Department will respond from within the Town the time paramedics first make patient contact will be dramatically reduced thereby reducing overall response times. An upgrade to fire based ALS has the value added benefit of positioning the department to be equipped to handle future changes in health care delivery resulting from the Affordable Care Act, such as the inclusion of mobile health care delivered by paramedics. Two bordering community's fire departments, the City of Cambridge and the Town of Belmont, have already upgraded their EMS delivery systems to ALS. A similar upgrade of the Town's system would expand the Town's mutual aid relationship to include ALS.

As a follow up to seeking an upgrade of the Town's ambulance service license to an ALS level, the Town requested an EMT Paramedic Selective Certificate List from the Commonwealth's Human Resource Division in order to hire four (4) Paramedic/Firefighters with the SAFER Grant monies.

The Submitted Fiscal Year 2016 Budget includes funding of eighty seven (87) Firefighters, of which four (4) are from the SAFER Grant, and two (2) civilian positions operating from three stations providing fire/rescue ambulance service while currently contracting services to ensure Advanced Life Support (ALS) services are provided to all residents and visitors.

The Submitted Fiscal Year 2016 appropriation is \$8,798,773 and is \$1,139,521 above the revised Fiscal Year 2015 Budget.

Additionally, funding of \$95,000 from Free Cash has been included to fund the start-up equipment required by the Massachusetts Department of Public Health for ALS level ambulance license.

Funding has been increased in the Vehicle Maintenance account for outside vendor repair services as a result of the retirement of the firefighter/mechanic. The additional funding request for a mechanic has not been included. Monies have been included in the Department of Public Works Central Motors Division for training related to the required certifications to repair Fire Department vehicles.

Monies for a Proposed Fiscal Year 2010-2016 Collective Bargaining Agreement with the Firefighter's Association have been included. If an Agreement is not reached prior to the Honorable Town Council's consideration and action on the Submitted Fiscal Year 2016 Budget, an Amendment will be brought forward moving those monies to Council Reserve.

As indicated earlier, Fire Station improvements totaling \$825,000 (\$500,000 from FY13 & \$325,000 from FY16) and \$235,000 for an Emergency Ambulance vehicle will be included in future loan orders.

### **Emergency Management**

Continued Funding related to emergency preparedness has been included and monies were reallocated in Fiscal Year 2012 from the Health Department for Emergency Management Coordinator services. Additional discussions will continue with the Chiefs of Fire and Police, the Superintendent of Public Works and the Director of Public Health to determine how best to proceed with the Town's additional needs involving emergency preparedness.

### **Department of Public Works**

The recommended Fiscal Year 2016 Department of Public Works Budget, excluding Waste Disposal and Snow and Ice Removal Budgets is \$5,012,249, an increase of \$151,656 over the revised Fiscal Year 2015 Department of Public Works Budget. All General Fund divisions of the Department of Public Works are funded at the Fiscal Year 2015 staffing levels of thirty three (33) full time and two (2) part time employees.

One of the top priorities of the Fiscal Years 2013 and 2014 Honorable Town Council Budget Policy Guidelines was to "examine the staffing structure of the Public Works Department and implement changes to improve the ability to perform routine maintenance, complete work order requests in a timely manner, and strengthen the capacity to supervise contractors."

Given this Budget Policy Guideline, the Town moved forward with a study, the primary focus being the future of service delivery. To that end, at the October 2, 2012 Special Town Council Meeting the Honorable Town Council approved a transfer of funds totaling \$21,000 to move forward with the study.

The objective of the Department of Public Works Operations Study was to perform an assessment and identify opportunities for improvements in efficiency and cost effectiveness of operations to meet service needs for Watertown.

Specific items to be addressed included, but were not limited to the following:

- Evaluation of the Department's existing structure to determine if personnel and resources are being utilized in the most efficient manner based on the mission of the Department, and whether the current configuration of divisions is appropriate.
- Review the Department's capacity to handle an increasing volume of large and complex capital projects, and its ability to respond to extraordinary circumstances and emergency situations.
- Evaluation of the efficiency and cost-effectiveness of in-house versus contracted services to include the management of roads, intersections and sidewalks, sewer and water systems, athletic facilities and fields, public work buildings and Town facilities, and others as appropriate
- Identification of potential service sharing or collaboration, both internally and externally.
- Evaluation of systems such as fleet management, pavement management, capital project management, works orders, and preventive maintenance.
- Provide benchmarking analysis of public works operations vs. benchmarking against comparable communities as well as leading practices in the field and to standards of efficiency and effectiveness developed in the industry.

The Staffing and Operational Assessment of the Public Works Department was completed and presented to the Honorable Town Council at their September 10, 2013 meeting.

Subsequent to receipt of the Study, the Council's Committee on Public Works and Committee on Personnel and Town Organization have met several times in reviewing recommendations contained in the Study and provided recommendations to the full Town Council.

As a follow up to the joint Committees' recommendations, the Honorable Town Council approved motions to create a new Department of Public Works position, Director of Administration and Finance; and to move forward with filling of the vacant Town Engineer position. Both of these positions were filled in calendar year 2014.

The Department has also filled three Motor Equipment Operator vacancies in Fiscal Year 2015, and continues to recruit for a Central Motors Supervisor. The Department has also engaged with an existing Town vendor to modernize its work order system to allow for GIS integration and improved communication between staff. The same vendor is also assisting the Department with the development of a vehicle management system which will be implemented subsequent to the filling of the Central Motors Supervisor vacancy.

The Department continues to pursue State and Federal Transportation Improvement Program funding for the rehabilitation of the Town's major arterial ways. The Department received approval from the Honorable Town Council to expend \$512,000 for the initial design of the Mt. Auburn Street corridor which extends from Irving Street to the Cambridge line. The Department has met on multiple occasions with representatives from the Mass DOT and has been successful in having this project listed as eligible for State and Federal funding. Mass DOT has expressed its strong support for the project especially because it addresses all of the key components of their healthy transportation and complete street initiatives. The Department has also received approval from the Project Review Committee (PRC), which is a major step in advancing the project forward. This approval signifies that the Mt. Auburn Street Corridor project is eligible for Federal and State funding, which is projected at the current dollar value of over \$12 million.

It is important to note that Mass DOT's approval of the Mount Auburn Street project and the PRC approval and its support at the District 6 office indicates that this project is advancing at a much faster rate than originally projected. This is an indication of Mass DOT's commitment to the project and the department's goal to incorporate complete streets and healthy transportation programs in Watertown.

The Department has also been working with the Council's Committee on Public Works on advancing conceptual design for major improvements on Common Street from Mt. Auburn Street to Orchard Street. This project is anticipated to include geometric changes and a fully functional traffic signal at the intersection of Spring Street and Common Street which will serve enhance safety and pedestrian accommodation, particularly at the Watertown High School as well as to improve traffic operations along the busy Common Street corridor. The project is also anticipated to include a roundabout at the Common Street and Orchard Street / Church Street intersection. The roundabout will serve to calm the flow of traffic, improve pedestrian and bicycle access and enhance traffic operations without the need for a traffic signal. The conceptual design has been developed as a tool to initiate community discussion that will be the basis to advance the project to the preliminary and final design phases and ultimately to construction.

The Department also continues its long range planning and coordination of Town infrastructure improvements. A particular focus is integrating road and underground infrastructure improvements, including pedestrian and bicycle accommodations, as well as utilities not owned or maintained by the Department of Public Works.

As indicated earlier, monies have been included in the Central Motors Division for training related to the required certification to repair Fire Department vehicles.

Funding has been increased for ongoing street repair services, crosswalk painting and associated maintenance supplies within the Highway Division of Public Works.

Historic snow accumulation levels were reached during the 2015 winter season which placed additional stress on the Department's operations. Despite this, the level of service that the community has come to expect was maintained while the value of maintaining capital equipment and forecasting future capital needs was highlighted. The Snow & Ice Removal appropriation is \$1,165,000, which is the original Fiscal Year 2015 Budget amount.

On December 16, 2010, the Town was designated as a Green Community and awarded a grant of \$192,825 from the Green Communities Grant Program. The Environment and Energy Efficiency Committee identified street lights and parking lot lights as an area of energy and cost savings.

The Town learned the Town of Arlington was going out to bid with its LED Street Light project in late October 2011. With the assistance of a consultant funded by NSTAR, the Town of Arlington and Town of Watertown were brought together to procure both municipal LED Street Light Retrofit projects. The bidding environment proved yet again to be a buyer's market. The Town was able to add 182 additional lights to the list of lights to be retrofitted within its existing budget for a total of 1269 lights retrofitted. Of the total 2,050 Town owned lights, 1269 or 62% of the residential street lights were retrofitted by early April 2012.

With the installation of the new LED lights, the Street Lighting appropriation was reduced in Fiscal Year 2013 by \$29,800 and the Town will be greener with 203,262 less kilowatt hours of energy being used.

The new Energy Manager has drafted and the Town has submitted an application to the Green Community Competitive Grant program to replace the remaining 781 Town streetlights with highly efficient LED's. This is coupled with a rebate from Eversource to combine for the \$300,000 total project cost. This project will provide equivalent lighting levels while consuming 62% less energy, with an annual savings over 308,000 kWh. This will save the Town over \$49,000 in electricity annually along with a reduction in maintenance costs due the long life of the LEDs. Lastly, this will reduce Watertown's Green House Gas emissions by 234 tons of CO2 each year. The Energy Manager has also joined a group purchase discussion through MAPC, which has proved to be beneficial in the past.

The Fiscal Year 2016 Waste Disposal Budget includes funding of the Service Agreement with Wheelabrator North Andover for disposal and funding of the third full year of the Agreement for Municipal Solid Waste and Recycling Collection, Removal and Transportation with Allied Waste Services, a Republic Services Company.

Single stream recycling and automated trash collection began in August 2012 which resulted in greater recycling and fewer tons of Municipal Solid Waste for disposal. In addition to savings from increased and simplified (single stream) recycling collection, the automated collection system for recycling and trash has reduced the total cost of collection.

Given all of the above, the Fiscal Year 2016 Waste Disposal appropriation is \$2,967,835, which is \$269,105 less than the Fiscal Year 2012 appropriation of \$3,236,940, some four fiscal years ago.

The new Recycling Center at 76 Stanley Avenue opened in July 2013 and is operated by Allied Waste Services and has continued to operate on the same schedule to address recycling needs in excess of the single stream recycling curbside collection.

The Department continues to investigate the most practical expansion methods at Ridgelawn Cemetery. During the 2015 construction season, asphalt road surface will be removed and restored back to grass to increase capacity and various sections of existing roadways will be repaved.



The Forestry's Rental of Equipment appropriation has been increased to address the list of tree removals. The Tree and Shrub appropriation of \$65,000 has been maintained in order to continue the Street Tree Planting Program.

In an effort to augment existing Parks Division personnel, \$7,500 has been provided for a limited "Summer Parks and Grounds Maintenance Program."

As indicated earlier, the matter of new multi-space parking meter equipment for the municipal lots at the library, at Church/Spring Streets, and at Baptist Walk, has been referred to the Council's Public Works Committee for further discussion and policy guidance.

As also indicated earlier, Department of Public Works equipment as follows will be included in future Loan Orders:

\$160,000	FY13
502,000	FY14
426,000	FY15
<u>1,490,000</u>	FY16
\$2,578,000	

### **Health and Human Services**

Staffing levels of nine (9) full time and five (5) part time employees in the three Health and Human Services Departments have been maintained.

Funding has been continued for both Environmental and Community Health Services towards fulfillment of the mission of the Health Department "to protect and promote health, prevent disease and disability, and access and improve the health status of the community."

Environmental health programs include mandates such as food protection, enforcement of housing standards, swimming pools and areas, tanning and body art, public health nuisance investigation, rabies and animal control, and other programs such as household hazardous and medical waste collection, mosquito control and geese control.

Planned activities include updating mobile food vehicle and temporary food guidelines, identifying health risk factors and assessment reports for Watertown to support health and wellness activities, providing additional food safety education, and enhancing medical waste collection and geese control.

Community health activities include communicable disease control, health promotion and education, participation in and support of collaborative efforts such as healthy living programs, crime and safety prevention, and youth and family support; hoarding remediation and support, and tobacco control.

The Health Department continues to participate in Public Health Emergency Preparedness activities and training, and will be pursuing additional grant funding to support these efforts.

Additional grant funding has been secured through the Marshall Home Fund “Compassionate Connections” Grant, Lee Manillo Grant, and the Watertown Community Foundation Grant to allow for, respectively, assistance for decluttering and social work, in-home management for hoarders, and various health screenings and educational lectures.

One of the Honorable Town Council’s Fiscal Year 2015 Budget Policy Guidelines was to explore the need and determine the feasibility of providing social service coordination.

As a follow up to that Guideline, on September 24, 2013 the Honorable Town Council approved the utilization of \$50,000 from the Watertown/Harvard Enrichment Fund along with matching funds from private sources to move forward with a Social Services Resource Specialist (SSRS) position for two years beginning in October 2013.

The goal of this program is to provide residents of Watertown and their families a single access point to a wide variety of social services as well as assessment, information and referral, short-term intervention and follow up as necessary.

Wayside Youth & Family Support Network (Wayside) had developed a data collection tool to track total requests for assistance, the type of request, and the number and type of referrals made as well as other measures. Evaluation of the data will determine the effectiveness of the service, identify its strengths and weaknesses and suggest areas of improvement.

The annual update to Town Council on the above mentioned data and the Social Services Resource Specialist Program was presented at the December 9, 2014 Town Council Meeting. At the presentation, the SSRS indicated there has been extensive outreach, networking and community collaboration to publicize the SSRS services and build relationships with referral sources from churches, community organizations and Watertown departments.

One of the respondents to a survey of local stakeholders from Town departments and service organizations stated: “Even though much has been done to let the Town know that the SSRS service is available, we need to continue to build this service so that all people who need help know the service exists. It takes time.”

One of the Honorable Town Council’s Fiscal Year 2016 Budget Policy Guidelines reads as follows: “Review the performance evaluation of the Social Services Resource Specialist Program and determine the feasibility of continuing to provide this service.”

Given all of the above, \$25,000 is included in the submitted Fiscal Year 2016 Budget to be utilized with matching funds from private sources to continue the Social Services Resource Specialist Program in Fiscal Year 2016.

The Property Tax Work-off Program will continue to be funded through an abatement process utilizing the overlay account. Continued funding has been provided in the Council on Aging Budget for building renovations.

The Veterans' Services Office is now open every Tuesday night until 7:00 PM in an effort to better serve the Veterans and their families.

### **Recreation & John A Ryan Skating Arena**

In accordance with Watertown Home Rule Charter, Section 6-2 Reorganization Plans by Administrative Code, a Reorganization Plan, was submitted in the Fiscal Year 2015 Budget Message that had the John A. Ryan Skating Arena Department be consolidated with the Recreation Department.

This Reorganization Plan was submitted as a follow up to the Council's Committee on Personal & Town Organization request to bring proposals forward for department combinations that would reduce the number of direct reports.

In Fiscal Year 2016, the Recreation Budget of \$273,008 and the John A. Ryan Skating Arena Budget of \$378,195 are listed separately in the Submitted Fiscal Year 2016 Budget document. In Fiscal Year 2017, both appropriations may be combined as one or consideration will be given to establishing enterprise funds to account for Recreation activities.

The Recreation Staffing levels of three (3) full time employees and the seasonal staff appropriation has been maintained.

The John A. Ryan Skating Arena Staffing levels of two (2) full time employees and seasonal staff have also been maintained.

The Recreation Department will continue their efforts to offer more recreational opportunities to residents in accordance with the Honorable Town Council's Fiscal Year 2010 Budget Policy Guideline. Online registration and payment for all programs is available along with the ability to check if the Town's recreational facilities are reserved on a particular date and time.

As indicated earlier, the Recreation Department, in conjunction with the Police Department, will be looking to restore the Cops & Kids Program and/or the Police Athletic League.

As also indicated earlier, the following improvements will be included in future loan orders:

Filippello Park/Grove Street end of park	\$600,000
Moxley Courts Renovation & Lighting	\$900,000
Victory Field Improvements (Phase II)	<u>\$2,500,000</u>
Total	<u>\$4,000,000</u>

The roof replacement at the Skating Arena was done in two phases in accordance with the related conceptual recommendation on the Fiscal Year 2015-2019 CIP. The replacement of the fire alarm system will be done in the coming months. Building Improvements to the John A. Ryan Skating Arena will be included in future Loan Orders.

## **Library**

Usage of the library continues to rise since the expansion and renovation in 2006. Circulation in Fiscal Year 2014 was 636,350 which is an 80% increase from Fiscal Year 2006. Library visits continue at a high level, averaging over 33,000 per month.

Watertown's first makerspace – a library initiative named Hatch – is off to a great start at its location at the Arsenal Project. Currently, Hatch is funded through grants and donations and is being staffed by volunteers. Its use and popularity will be monitored in order to make decisions about its future given that the Arsenal Project's commitment is for a two year time period.

The Massachusetts Board of Library Commissioners requires that a long range plan be on file in order for the library to apply for grants. The current five year plan is in the fourth year of its life. The Long Range planning committee which includes Library Trustees, Town Councillor Cecilia Lenk, community members and library staff are in the process of developing the next plan which will cover the years Fiscal Year 2017 – 2022. As part of the planning process, a survey was sent out with the spring tax bills and was available in the library and on the website. The over 600 responses will be used for planning and budgeting purposes.

The recommended funding level for Fiscal Year 2016 of \$2,636,095 is in compliance with the Municipal Appropriation Requirement (MAR) set by the Massachusetts Board of Library Commissioners and is \$52,077 above the revised Fiscal Year 2015 Budget. This certification allows the Town to receive the Library Incentive Grant, the Municipal Equalization Grant, the Non-Resident Circulation Offset Grant, the Public Library Grant and be eligible for any State and Federal Grants. Additionally, certification enables Watertown residents to borrow materials from any other certified library in Massachusetts and the Library to be a member of the Minuteman Library Network.

The library continues to be open more hours per week than any other library building in the Commonwealth including Friday hours to 7:00 PM, expanded Saturday hours in the summer and Sunday hours year round.

As indicated earlier, Library Building Improvements totaling \$425,000 (\$325,000 from FY13 & \$100,000 from FY14) and \$65,000 for a Radio Frequency ID System will be included in future Loan Orders.

## **Education**

The top priority of the Program Enhancements/Expenditures section of the Honorable Town Council's Fiscal Year 2016 Budget Policy Guidelines reads as follows: "Work collaboratively with the Watertown Public Schools to develop a comprehensive 5-year educational budget that assures sustainable funding for our schools and the successful education of our children. Seek to accommodate the Manager's forecast 5% school operating budget increase for the next three fiscal years (FY16-18), subject to preparation of budget requests by the School Committee, and subject to the validation of revenue and expenditure assumptions in the October 28, 2014 Preliminary Budget Overview. As was done in FY15, work with the WPS to identify one-time school curriculum initiatives (such as materials, supplies and technology) that have been underfunded over the last several years, and identify one-time funds that can be used to meet these identified needs."

On April 6, 2015, the Honorable School Committee held the required Public Hearing on the Fiscal Year 2016 Education Budget. On April 8th, the School Committee adopted a Proposed Fiscal Year 2016 Education Budget of \$41,927,238, which is an increase of 6.87% and \$2,695,238 over the Fiscal Year 2015 appropriation of \$39,232,000.

Subsequent to the School Committee's April 8<sup>th</sup> vote, discussions were held regarding the budget implications related to health insurance & related benefits for the proposed new positions included in the School Committee's Proposed Budget. Subsequent to those discussions and upon further review, it was determined an additional \$196,867 would be needed for health insurance & related benefits.

As indicated earlier, the Submitted Fiscal Year 2016 School Health Insurance appropriation is \$4,794,017, an increase of \$519,617 above the Fiscal Year 2015 Level. Included within this increase are monies related to health insurance for the 18.3 new professional positions in Fiscal Year 2015 and the 21.2 proposed positions in Fiscal Year 2016.

On April 15, 2015, the House Ways and Means (HWM) Committee Budget was released. Two of the items included in this budget of particular importance is the restoration of Kindergarten Grants (\$100,000 for Watertown); and the Special Education Circuit Breaker reimbursement is higher than the assumed reimbursement included in the School Committee's Proposed Budget.

On April 16<sup>th</sup>, we discussed the HWM Committee Budget and the above mentioned items with the Superintendent of Schools and the Director of Business Services. Both of these items would have a positive impact on the Fiscal Year 2016 Budget.

The Submitted Fiscal Year 2016 Budget does factor in the restoration of the Kindergarten Grant but does not consider the additional Circuit Breaker monies that are included in the HWM Committee Budget.

Therefore, the Honorable School Committee's Proposed Fiscal Year 2016 Education Budget increase of \$2,695,238 is adjusted to a request of \$2,595,000, as a result of the Kindergarten Grant monies being restored.

The Submitted Fiscal Year 2016 Budget includes funding of an additional \$375,000 in One Time Curriculum Initiatives bringing the total to \$1,335,000 for One Time Curriculum Initiatives during Fiscal Years 2014 through Fiscal Year 2016.

Additionally, the recommended funding level for the Fiscal Year 2016 Education appropriation is \$41,452,000, which is an increase of \$2,220,000 over the Fiscal Year 2015 Education appropriation.

In summary, funding of \$375,000 in One Time Curriculum Initiatives and the proposed increase of \$2,220,000 in the Education appropriation totals \$2,595,000, which is the adjusted Honorable School Committee's Proposed Fiscal Year 2016 Education Budget increase.

The following summary outlines the Town's very strong commitment to Education:

School Committee's Fiscal Year 2016 Budget Request	\$ 41,927,000
Adjustment for Restoration of Kindergarten Grant	\$ (100,000)
<b>Adjusted Fiscal Year 2016 Education Request</b>	<b>\$ 41,827,000</b>
Proposed Fiscal Year 2016 Education Appropriation	\$ 41,452,000
Proposed Fiscal Year 2016 One Time Curriculum	\$ 375,000
<b>Proposed Fiscal Year 2016 Education Appropriations</b>	<b>\$ 41,827,000</b>

The Town's strong commitment to education is further evidenced by the chart on page 14 which shows the Education appropriation increased by \$9,606,000 from Fiscal Year 2009 while all other Town Departments' appropriations increased by \$4,297,896 over the same time period.

The above mentioned increase of \$9,606,000 does not include the \$1,000,000 the Honorable Town Council appropriated in Fiscal Years 2009 and 2010 for the School's Technology Plan and the \$1,335,000 for One Time Curriculum Initiatives.

Funding has been continued for the Schools' use of lighting at the artificial turf multi-purpose field at Victory Field and utilization of the John A. Ryan Skating Arena.

In an effort to pursue cost savings and increase efficiency, and as a follow-up to the Honorable Town Council's discussion during the development of Budget Policy Guidelines, discussions need to continue regarding merging or combining administrative functions between the Town and the School Department in the following areas:

- Facilities Management
- Information Technology

To that end, the School Department issued a Facility Maintenance Review Proposal. The goal of this review is to evaluate facility maintenance processes, practices and staffing of the Watertown Public Schools; and to receive recommendations for improvement. Subsequent to dialogue with the Superintendent of Schools and the Director of Business Services, the Town will also participate in this review.

The Honorable Town Council adopted a Motion to undertake a Third Party Financial Review of the General and Special Education School Budget in order to better understand how to proceed with future funding to meet the Schools' needs. A RFP was issued without receiving any responses. Another revised RFP was issued and two firms submitted proposals on April 24, 2015. These proposals will now be reviewed to determine how to proceed.

Lastly, the Expenditure Forecast included within the Submitted Fiscal Year 2016 Budget document has Departmental Expenditures projected to increase 2.5% annually from Fiscal Year 2017 through Fiscal Year 2019. The Education appropriation is projected to increase 5.0% annually from Fiscal Year 2017 through Fiscal Year 2019.

We look forward to continue working collaboratively with the Watertown Public Schools to develop a comprehensive multi-year Education Budget that assures sustainable funding for our schools and the successful education of our children.

## **CLOSING**

The goal of this administration and all of the Town departments is to provide the highest level of services to the citizens of Watertown while utilizing the taxpayers' dollars as efficiently as possible. The submitted budget is balanced and based on sound business practices.

I believe the Submitted Fiscal Year 2016 Budget focuses on achieving the long-term goal of sound financial management and fiscal stability.

I would like to thank the department heads and other staff for their invaluable assistance in developing the budget. I look forward to working with the Honorable Town Council in finalizing the Fiscal Year 2016 Budget.